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# **Accountability and Multilateral Global Governance: exploring the discourse of transparency and the role of secrecy**

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Julian Robert Ellis

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A thesis submitted to the University of Bristol in accordance with the requirements of the degree of Doctor of Philosophy in the Department of Politics, Faculty of Social Science.

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## Abstract

Against a background of increasing authority, autonomy and regulatory power in the institutions of multilateral global governance this thesis draws on four case studies - The International Monetary Fund and The Mexico Peso Crisis 1994-5; The World Bank and the Arun-3 Dam Project 1995; The Group of Seven and the Halifax Summit, 1995; and The Conference on Disarmament and the extension and renewal of the Non-Proliferation Treaty in 1995 - to examine the implications for accountability. I begin by looking at two assessments of globalisation and the issues these pose for accountability in MGG. This is followed by a review of four theoretical perspectives, each of them placing a different emphasis on the prospects for accountability in MGG. The issue of accountability is then explored further through a paradox that results from the relationship between transparency and secrecy: on one hand there is a discourse of transparency which *promises to deliver accountability*, on the other hand *secrecy* remains a dominant feature of MGG. The concepts of transparency and secrecy are developed theoretically and empirically. In the case of secrecy by looking at its inherent ambiguity and the different interpretations that make secrecy both a positive and negative force in the governance process. The idea of transparency has gained wide usage amongst critics and practitioners of MGG. I argue that the increased use of transparency requires that greater analytical clarity be attached to it in order to assess its uses and abuses. A typology is developed to explore the extent to which the concept of transparency is useful as a source of accountability. I conclude from my findings that tensions over the ambiguities of secrecy and the limits of transparency will continue and that what is required is an approach that looks to the different political motives and interests of each case to uncover the rationale for transparency and/or secrecy.

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## **Author's Declaration**

I declare that the work in this dissertation was carried out in accordance with the Regulations of the University of Bristol. The work is original except where indicated by special reference in the text and no part of the dissertation has been submitted for any other degree.

Any view expressed in this dissertation are those of the author and in no way represent those of the University of Bristol.

The dissertation has not been presented to any other University for examination either in the United Kingdom or overseas.

.....

**Julian Ellis**

The views expressed in this thesis are those of the author and do not represent the views of the University of Bristol

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## Introduction

'... this should be our main concern in the coming years: how to make the IMF, the World Bank, GATT, the G-7, and all those who dominate the global system accountable to humans everywhere. We may not be able to get rid of these institutions in the foreseeable future, but we can hold them accountable. So accountability should become our battle cry for the coming years' (Muzaffer, 1994: 151)

Muzaffer's words express a growing concern that the institutions of multilateral global governance need to be made more accountable to the people of the world. With the ending of the Cold War and the emergence of globalisation as a key feature of contemporary social life, greater attention is being focused on the institutions of multilateral global governance (MGG). Some commentators believe that globalisation has led to a growth in the scope of their authority, regulatory power and autonomy, resulting in the reconstitution of political authority beyond the state (Holton, 1998: 80; Agnew and Corbridge, 1995: 47). This has been compounded by the 'intensification and interconnectedness of relations between states and societies' in the economic, political, security and environmental spheres (McGrew, 1992: 23). The recent economic crises in East Asia and Russia illustrate the ways in which advanced western societies are no longer isolated from events happening beyond their territorial borders. The International Monetary Fund, the World Bank and G-7 are now taking more responsibility for the way the world is governed. These apparent changes in the mode of governance have led to concerns about the extent to which these institutions of MGG can and should be held publicly accountable.

The 1990s has also seen the emergence of a new orthodoxy that has brought to the fore the ideas of openness and transparency, resulting in what I term the *discourse of transparency*<sup>1</sup>. The idea of transparency has been stimulated, it is claimed, by the trend over the past decade towards democratisation, economic globalisation and the marketisation of society (Florini, 1998: 52). The discourse has become applied most frequently to the workings of a wide range of public and private sector governance institutions as a means of making them more accountable. It is presupposed that accountability and governance practices are enhanced when there is access to and clarity of information about the workings of institutions and organisations. This rationale supports the claim that the application of transparency provides a means to enhance the accountable nature of MGG (Brautigam, 1991: 22).

Transparency is constrained by practices and strategies of secrecy. An obvious tension exists between greater openness and the belief that efficiency and confidentiality in governance processes often presuppose secrecy. Therefore, a central aim of this study is to explore the nature of the relationship between transparency and secrecy. At the heart of this tension between openness and secrecy is a paradox. On one hand, there exists a discourse of transparency supported by both the critics and advocates of MGG which promises to deliver accountability in institutions. On the other hand, secrecy which remains a dominant feature of MGG is the antithesis of openness and undermines public accountability.

The introduction is organised around four main sections: the first sets out to identify and elaborate on the nature of the problem that globalisation and trends towards global governance pose for accountability. The second defines the key concepts of the thesis: multilateral global governance; accountability; transparency; and secrecy. The third sets out the arguments in

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<sup>1</sup> Discourse in this sense refers to the different interpretations that gives meaning to a particular concept or idea. See George, 1994: 29-30.

brief. The final section addresses methodological considerations including research design, case selection and answers some potential problems.

## The Nature of the Problem

There has been growing recognition that the process of globalisation has transformed mechanisms of national governance and now includes a wide array of institutions of multilateral global governance (Held and McGrew, 1993; Holm and Sorenson, 1995: 5 Keohane, 1998: 83). Critics argue that one consequence of the internationalisation of the state has been an elevation in the regulatory power and authority of these institutions without a corresponding increase in their accountability (Deacon, 1997: 205). The significance of this internationalisation of the state is highlighted by Shaw who asserts that, 'just as state institutions constitute the ultimate authoritative institutions within the national context, so global state institutions are beginning to be consolidated as the highest authoritative institutions on a world scale' (1994: 188).

Whilst institutions of MGG have come to have a greater significance upon the lives of people these institutions are remote (both geographically and psychologically) from those constituencies most affected by their decisions (Parry, 1994: 10). The internationalisation of the state has led to an extension of unaccountable power beyond the control of national societies which has resulted in one commentator asserting that there has been a transfer of power '... on important social and economic issues to unaccountable supranational ... bureaucracies' (Robinson, 1995: 375). Cahn argues, for example, that decision-making in MGG contains no provision for public participation and is shielded from public scrutiny by institutional secrecy (1993: 161). They are exclusive organisations, making secretive decisions which lack any public accountability (Bradlow and Grossman, 1996: 28). It has been argued



that the remoteness of institutions of MGG from the usual forms of public accountability means that mechanisms need to be introduced to make them more accountable to domestic civil society (Keohane, 1998: 94).

Some commentators believe that economic globalisation has caused what has been labelled the 'defective state'. This idea suggests that states have lost a significant degree of authority and are unable to insulate themselves from the forces of economic globalisation and market forces with state power being eroded (Strange, 1995b: 56; Camilleri & Falk, 1992: 94; Naisbitt, 1994; Horsemann & Marshall, 1995: 178-9; Held, 1995: 110). From this perspective globalisation is irreversible and the intensification of economic activity makes effective national governance problematic. In part this has resulted in the internationalisation of the state. Although created by states, over time these institutions have come to establish their autonomy and the idea of governance beyond the state. These developments have led some commentators to argue that such powerful global political actors need mechanisms that can hold them to account (Florini, 1998: 52).

The view of the defective state is not without its critics many of whom argue that states still remain the central mechanism of governance and that the effects of globalisation upon the state have been exaggerated (see Barry Jones, 1995; Hirst and Thompson, 1995, 1996; Hirst, 1997: 206-215; Weiss, 1997; Evans, 1997). It is claimed that this has fuelled a myth of globalisation which acts to undermine public accountability through the claim that the intensity and scope of economic globalisation make effective governance beyond that of market mechanisms impossible. Some of these critics believe that under present conditions, globalisation and the internationalisation of the state serves to de-politicise the function of MGG by presenting its policies as both necessary and politically desirable (Gills, 1997: 11-17).

It is argued by some commentators that the economic institutions of MGG support the principles of the market and give authority to the policies and ideology of transnational liberalism (Agnew and Corbridge, 1995: 164)<sup>2</sup>. Advocates believe that market orientated policies (underpinned by a need for openness) drive out bad governance practice and enhance accountability. Hence good governance has been closely connected with the ideas of accountability, transparency and participation (World Bank, 1991). For example, in the ongoing Asian financial crisis, market forces have highlighted inefficient and corrupt governance in a number of countries. It is claimed by the IMF that the only way to regain confidence and stability in the Asian economies is to make the political and economic systems more open, transparent and accountable. The role of the IMF is to ensure compliance with the agreed norms of the market driven global economy and if necessary these norms should be imposed as part of the conditions attached to an IMF loan (Florini, 1998: 56-7).

Alternatively, critics believe that deference to market forces obfuscates the issue of MGG responsibility by presenting the market as the most effective means of accountability, ignoring the social and ecological consequences of following these policies (Peck and Tickell, 1994: 325). There are also questions about the extent to which the principles of good governance have been implemented within the institutions of MGG. Furthermore, critics claim that a limited and apolitical usage of transparency would hinder the case for accountability in MGG and assert that a more substantive transparency is required that includes participation in the decision-making process (Bradlow and Grossman, 1996). Differences over the meaning of transparency may obfuscate the extent to which the idea of transparency is adequate as a source of accountability in MGG.

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<sup>2</sup> This includes reducing government intervention, the privatisation of publicly owned industries, with openness in economic and governance activity and policed by MGG (Agnew and Corbridge, 1995: 165).

The significance of the alleged lack of accountability in MGG is compounded by the autonomy of these institutions. The extent of this autonomy is contested: ‘...the Fund and the Bank are not autonomous institutions acting in a vacuum ... they are controlled by their shareholders ... it is these governments that determine the framework within which the Fund and Bank operate, and which thus bear the final responsibility ...’ (Woodward, 1993: 6). Others argue that due to their complex nature the institutions are more than simply an extension of their national membership at the global level (Shaw, 1994: 21). Multilateral forms of global governance have an institutional logic of their own which may result in the development of a particular institutional culture (Parry, 1994: 10). Thus organisations like the World Bank and the G-7 can be viewed as independent actors, devising and implementing policies in arenas separate from the national domain (Imber, 1997: 218). As a consequence, multilateral global governance can have an impact on world politics in ways that are partially independent of the states that created them (Williams, 1994: 39).

The issues identified in this section lead to three key questions that can be simply stated:

How have different assessments of globalisation and theories of global politics informed the discussion on accountability in MGG? Does the discourse and practice of transparency enhance or undermine accountability in MGG? Is secrecy necessary for the effective and responsible working of MGG? These issues will be addressed in the thesis and returned to directly in the conclusion to see what answers can be provided.

## Defining the Key Concepts

### *Multilateral Global Governance*

Although widely used by international relations (IR) scholars, global governance is a contested concept and its use as a distinct analytical concept is disputed due to its use as a 'catch all' phrase (Hewson, 1996: 186; Smouts, 1998: 81). The idea of governance implies the idea of control and regulation in the exercise of public policy (Reinicke, 1998: 4). Traditionally this has been the primary function of the state. However, changes in the mode of governance reflecting a wider range of governance institutions has meant that the term now incorporates a variety of 'quasi-governmental institutions' (Brown, 1997: 128; Rosenau, 1992: 4-5; Hirst and Thompson, 1996: 183). Governance processes, therefore, can take place in areas other than the formal institutions of the state and new processes of governing are regularly coming into being (Stoker, 1998: 17).

The concept of global governance is usually applied to the myriad of institutions and actors both governmental and non-governmental engaged with directing, regulating and overseeing global matters (McGrew, 1997: 15; Pagden, 1998: 7). At the global level governance mechanisms can range from the governmental institutions such as the G-7 summits to non-governmental organisations like Friends of the Earth. To distinguish between these two types of governance Rengger (1996: 12) labels them multilateral governance and global governance.

The former refers to state constituted institutions: the United Nations, the World Bank and the International Monetary Fund. These institutions are responsible for regulating global agreements and policing the global economy with the authority to intervene where necessary.

The idea of global governance embraces a more pluralistic idea of governance that would include non-government organisations and groups. The idea of a pluralistic, inclusive style of governance presupposes that global governance should be made up from all sectors of society

and that these different groupings provide the basis of a more accountable form of governance (United Nations, 1997: 8)<sup>3</sup>.

In this thesis I combine the two terms and refer to multilateral global governance (MGG). I believe that this serves two purposes. Firstly, it focuses attention on those state-constituted institutions that are most authoritative and influential in the field of global governance and where power and authority are still primarily located (Bradlow and Grossman, 1996: 28). Secondly, by including the term global it suggests the possibility that these institutions can be inclusive, open, participatory and accountable<sup>4</sup>. I will explore the extent to which this is the case in later chapters.

## *Accountability*

Traditionally, the principle of the public accountability of governance institutions is portrayed as ‘... a powerful antidote to the corrupting effects of power’ (Lively, 1975: 127). In essence democratic accountability means the ability to hold institutions and individuals responsible for their policies and actions. As Pyper argues, ‘the concept of accountability is often judged as a basic benchmark ... accountable government is deemed to be good government ... governments which can be characterised as unaccountable are likely to provide fertile ground for ... every type of abuse of power’ (1996: 1). The institutions of multilateral global governance do not, in themselves, constitute a world government. Even so they should be viewed as powerful and authoritative regulatory institutions which have a significant impact upon the lives of people.

Although public accountability can be defined in a number of ways, one generally agreed definition is the ‘effectiveness with which the governed can exercise influence over their

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<sup>3</sup> There is a growing body of work dealing with global governance. See for example Weiss and Gordenker 1996; Desai and Redfern, 1996.

<sup>4</sup> Multilateralism has also been interpreted as being an inclusive plural form of governance (see Cox, 1997: xvi).

governors' (Hyden, 1992: 14). It has been suggested that this can be achieved most effectively through citizens inspecting and questioning governance processes and activities (Brautigam, 1992: 12)<sup>5</sup>. This public accountability is harder to sustain when applied to international organisations because of the limited extent of access to information and policy-making and the remoteness of these institutions. What exists at the global level are power structures, including institutions of MGG, that cannot straightforwardly be identified as accountable (Sakamoto, 1995: 138).

Interestingly, a recognition of the need for accountability has become a feature of the internal policy of many of the institutions that are central to multilateral global governance (World Bank, 1992: 39-46; 1994a: 29-36). This demonstrates and reflects a growing realisation that legitimacy and authority are dependent upon accountability (Brautigam, 1992: 9). The Commission of Global Governance (1995) believe increasing the accountability of MGG is an integral part of building a new progressive global order. To be seen to be accountable provides an important means of reinforcing the legitimacy as well as the authority of multilateral governance. Ironically, by making themselves more accountable the legitimacy and authority of multilateral global governance can be challenged more easily thereby undermining their effectiveness. As a consequence I will demonstrate how different notions of what accountability means are apparent in the theory and practice of International Relations.

## *Transparency*

Transparency has been defined as the process of deliberately revealing actions, policies and political processes, to make clear the motives behind a particular action (Florini, 1998: 50). As a consequence transparency and accountability are closely linked as the latter requires the

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<sup>5</sup> Brautigam (1991: 12) identifies two other types of accountability: public and legal.

former so that political processes are made open to the critical gaze of the public.

Accountability through transparency means gaining access to information and greater public participation in projects, programmes and policies (Beetham and Boyle, 1995: 63; Madeley, Sullivan and Woodroffe, 1994: 72-73). The idea of transparency suggests the possibility that the public can gain knowledge of governance processes through access to information and thereby intervene more effectively in the policy process (Robinson, 1995: 41). According to Beetham and Boyle there are four key aspects to public accountability: the release of accurate information; accessibility to information deemed in the 'public interest'; openness to meetings; and consultation before policy is formulated (1995: 63). What connects all four requirements for accountability is the need for transparency to make them effective and meaningful.

In the discipline of International Relations transparency has generally been applied narrowly to explain successful co-operation between states. Mitchell, for example discusses the role of transparency in promoting compliance and effectiveness in international organisations (1998: 109-130). A more broadly defined conception of transparency includes the principle of openness to mean access to information and participation within political institutions (Mitchell, 1998: 110). It is this use of transparency that I wish to bring and apply to the issue of governance and MGG.

The concept of transparency raises fundamental questions about the nature of the way in which we are governed. The discourse of transparency presupposes the universal good of the 'open society' and provides a possible solution to the problem of secrecy in public institutions. It is not, however, necessarily the case that complete transparency is or would be a good thing. Determining the boundaries of transparency requires consideration of a wide-range of factors, not least the function of secrecy. In society the relationship between transparency and secrecy is

socially determined. As ideals they would represent two ends of a continuum. At one end would be complete secrecy and the other, full openness (Feldmann, 1988: 88; Florini, 1998: 50). It has been suggested that the movement towards a discourse of transparency is gaining momentum. This reflects the trend towards economic globalisation and democratisation and it represents a new norm that challenges the traditional secrecy of MGG (Florini, 1998: 52).

## Secrecy

Secrecy has been defined by Bok as 'intentional concealment' (1982: 5). It is this intentional aspect of secrecy that gives it an important place in explaining political processes.

Although the importance of secrecy in politics is widely acknowledged its study has been neglected in recent years, (Galnoor, 1977; Teft, 1980; Friedrich, 1972; Goren 1979). Gibbs believes that the current omission of secrecy as a focus of research is ironic given the increased practice of secrecy by many governmental institutions (1995: 213). It has been claimed that the processes of globalisation have enhanced the potential for increased secrecy, not least through the internationalisation of the state (Falk, 1995a: 239).

The usual justification for secrecy is that governments have always withheld information or acted in a covert manner to protect and enhance the national or public interest (Galnoor (ed), 1977; Chapman, 1987; Robertson, 1982; Cox, 1975: 4). From a state-centred perspective, a lack of openness in both external and internal affairs is legitimate to ensure the protection of the national interests (Gibbs, 1995: 214)<sup>6</sup>. But securing effective government, efficiency in the

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<sup>6</sup> Britain is a good example of a democratic but secretive state, not only in terms of national issues but in a routine manner with regard to meetings and accounts at both the local and national level (Michael, 1982). Hutton claims that 'there is no presumption that the activities of the state should be open and transparent' (1995a: 3). Other countries vary in their commitment to an open political system. The Swedish political system with its far more open and transparent approach to government (Robertson, 1982). Most recently this quest for openness has manifested itself in Sweden's relationship with the European Union (EU) in which Sweden is demanding greater openness in order to promote democracy and reduce public perception of the Union as undemocratic and secretive (Guardian, 21-11-95). Sweden believes such action will decrease the democratic deficit associated with the institutions of Europe and make, in this case, a regional supranational institution, more accountable to 'the people'. It would appear then that states have different attitudes to the issues of secrecy and the degree of openness that is desirable. In view of this it is perhaps not surprising that competing positions exist at the global level.



governmental process and protecting the privacy of individual groups and organisations requires secrecy. Depending upon the circumstances secrecy can therefore be considered legitimate.

The use of secrecy in the governance process is complex and ambiguous. Secrecy allows for the possibility of behaviour and actions that would not have been otherwise undertaken in the governance process. Secrecy is favoured by those who want to resist the challenge to their traditional power and authority that transparency represents. This is usually done by reference to the traditional norms of privacy and sovereignty (Florini, 1998: 50). Therefore, secrecy is still considered legitimate and many multilateral institutions have been characterised as having firmly embedded cultures of secrecy.

## **The Argument in Brief**

The thesis will explore the issue of accountability in multilateral global governance by drawing on the concepts of transparency and secrecy. The key issue to be explored is whether or not the authority and regulatory power of institutions of MGG can be held publicly accountable. An emerging discourse of transparency suggests that greater levels of accountability can be established through increased openness. Opposing this discourse is the continuing existence and practice of secrecy in multilateral governance. The thesis examines the tension between these opposing approaches and explores whether the developing discourse of transparency will lead to increased accountability in multilateral global governance. I argue that a more nuanced approach to the study of transparency and secrecy is needed looking beyond the apparently straightforward advantages of openness and the drawbacks of secrecy. There are occasions where openness may be harmful and secrecy can be beneficial. The presumption that transparency is inherently beneficial must therefore be challenged.

It has been remarked upon that, as yet, the study of global governance, does not have a clear focus (Groom and Powell, 1994: 81). I argue that the issue of accountability represents an important extension of the research agenda into global governance in the IR literature. Robert Keohane asserts that ‘combining global governance with effective ... accountability will be a major challenge for scholars and policy-makers alike in the years ahead.’ (1998: 94). In this thesis I take up his challenge.

I develop original typologies for transparency and secrecy. The typology of transparency highlights both the limits and possibilities of this concept for accountability. The typology of secrecy emphasises the ambiguity that surrounds its use. I introduce the idea of the discourse of transparency and examine the extent to which this is merely rhetoric or has empirical substance. I demonstrate that there are many aspects of accountability in MGG that remain either undeveloped or ignored by much of the mainstream literature. I use the case studies to demonstrate empirically the arguments explored in Chapters 1-3.

In my conclusion I make a number of claims: firstly, that the discourse of transparency is applied strategically and its use does not reflect increased openness in MGG. Secondly, that the concept of good governance has not been adopted or applied universally to MGG although there are examples of partial implementation. Thirdly, that secrecy remains an important part of the governance process, despite the discourse of transparency. Fourthly, globalisation and the internationalisation of the state do not enhance the prospects for accountability in MGG. Fifthly, more accountability does not necessarily result from increased transparency. In my conclusion I expand on these themes.

## Methodological Considerations

### *Research Design*

To examine the issue of accountability in multilateral global governance I have drawn on a number of case studies. The principal research method employed is documentary analysis. Primary materials were collected from a wide range of media and electronic sources, official publications of government, non-governmental publications and institutions of multilateral global governance, some internal documents and personal interview material. The research also involved paying close attention to a wide range of relevant secondary academic literature in the fields of international relations, political studies, sociology and philosophy. The thesis adopts an interdisciplinary approach and rejects the traditional divisions between disciplines (Wallerstein, 1987: 312). The analysis of governance, its aims, methods and relationships requires an eclectic approach because of the interaction with a wide range of political, economic and social factors (Brautigam, 1991: 4; Goldblatt, 1998: 2).

### *Case Selection*

The thesis examines four key institutions of MGG and contained within each is a more focused case: The International Monetary Fund (IMF) and the Mexican Peso Crisis 1994/5; the Group of Seven (G-7) and the Halifax Summit 1995; the World Bank (IBRD) and the Arun-3 Dam Project; the Conference on Disarmament (CD) extension and renewal of the nuclear weapon Non-Proliferation Treaty (NPT) 1995. They were selected for the following reasons:

1. The four institutions are generally considered to be the most important in their respective areas of multilateral global governance and reflect the four global spheres identified by

McGrew (1992: 23): political and economic management (G-7); economic stability (IMF); development and the environment (IBRD) and military security (CD).

2. The institutions are usually considered to be amongst the most secretive because of the traditionally highly sensitive nature of economic and security issues. Therefore, it will be informative to see to what extent transparency occurs and has made a difference. Other forms of MGG which are traditionally considered more open and participatory, such as human rights, have not been included in the study.
3. All the cases occurred within a 12 month time frame, and at a time when the discourse of transparency was beginning to be actively discussed and applied in multilateral global institutions.
4. The case studies do not provide exhaustive accounts but rather are used to highlight salient issues. On this basis general conclusions can be drawn about the discourse of transparency and secrecy in relation to accountability in global governance.

The use of case studies is not without its problems and in the Social Sciences their value has been questioned (Ragin, 1992: 1-2: 217). The most common criticism is that they do not allow for wider generalisations because each case is based upon a particular set of events. To generalise from specific cases requires that findings be qualified to reflect the deficiency in using case studies.

Conversely, others have praised the use of case studies as being the most practical way of generating conclusions that are meaningful and useful (Ragin, 1992: 225). Case studies are

useful in helping to answer the question ‘what is going on?’ The purpose of a case study can be to gather information so that description and analysis of what is happening in a real world situation can be made (Dixon, Bouma and Atkinson, 1987: 107-8). It is in this sense that the case studies will be used by examining the details of a particular case to see whether the commonalties and differences generated by each case can inform a wider set of conclusions about the nature of accountability in MGG.

### *Methodological Problems*

A distinctive methodological problem when looking for empirical evidence of secrecy is that secrets, by their very nature, are difficult to expose. The institutions under investigation are generally closed to outside observers. In a study of the IMF, Stiles recalls that he was only able to gain direct access through personal contacts with high ranking IMF staff (1991: 3).

Ferguson in another study of the IMF notes that, ‘unless the analyst has been a participant-observer, he faces insurmountable problems in arriving at a full and analytically defensible portrayal of what goes on in the IMF’ (1988: 12). These problems are compounded when the attempt is made to compare degrees of secrecy with levels of openness, as other studies have made clear, the dilemma for the researcher is that ‘secrecy involves reduced observability and an increased potential to deny access to others’ (Warren and Laslett, 1980: 26).

A methodology is required to overcome these problems posed by secrecy and to explore further the difference between the rhetoric and reality of transparency in multilateral global governance. Both Ferguson (1988) and Stiles (1991) have successfully analysed the contents of official IMF publications to highlight inconsistencies between the public policy and its implementation. In view of their success I will also adopt this approach to see what disjuncture exists between the discourse of transparency and secretive practices. In addition to this I will

examine other primary sources, including media reports and the archives of non-governmental organisations (NGOs). Analysis of the primary information is then used to assess the theoretical arguments generated by the secondary materials in the first three chapters.

I will also apply the methodology successfully used by Bok (1982) who in her classic study of secrecy looks to challenge a number of taken for granted assumptions about secrecy. She is interested in whether traditional justifications for secrecy are legitimate. It is possible Bok claims, that through examining where secrets have subsequently become exposed to make some judgement about whether the reassurance given for secrecy were justified and the limits placed upon transparency were necessary (1982: 115).

## Summary and Chapter Outline

It has been suggested that ‘the line between openness and secrecy can only be drawn *socially*’ and that the tension between secrecy and openness can only be legitimately reconciled through societal consensus’ (Feldman, 1988: 88). It remains to be seen whether a consensus exists in the practices of MGG. In Chapter 1 I examine assessments of globalisation and theories of MGG and explore the implications for accountability. Chapter 2 examines secrecy, the ambiguity in its use and the implications for MGG of the different functions, types and theories of secrecy. Chapter 3 introduces the idea of transparency as a force for change and relates it to the principles of good governance. A typology is developed to highlight competing interpretations and conceptions of transparency. I use the case studies (Chapters 4-7) to illustrate the theoretical discussions and conclude by making some general observations about how secrecy and openness is currently affecting the accountability of institutions involved in MGG.

## ***Chapter One***

### **Multilateral Global Governance and the Politics of Accountability**

By adopting the phrase *the politics of accountability* my intention is to focus attention upon the issue of accountability and put it at the centre of my analysis of multilateral global governance (MGG). Interest in the issues of accountability of MGG has been fuelled by the processes of globalisation, the internationalisation of the state, and the shift towards the implementation of global public policy (Shaw, 1994: 3; Cox, 1997; Linklater, 1998: 31; Reinicke, 1998). The rise of globalisation and the alleged shift in regulatory authority from governments to global governance institutions raises critical issues about the way the world is governed, not least the extent to which the institutions of MGG can be held to account. As a consequence, the role of MGG and the issue of accountability needs to be explored further, particularly as it has been claimed that ‘accountability is the most crucial element of governance’ (Williams and Young, 1994: 84). This claim rests upon the belief that ‘power and authority lies at the heart of governance’ (Brautigam, 1992: 3). The traditional separation between those that *govern* and those that are *governed*, means that mechanisms are required to ensure that the former do not misuse their authority and power over the latter<sup>7</sup>. Establishing the principle and practices of accountability in MGG is fundamental to achieving this end.

The chapter is divided into two main parts. The first looks at two contrasting assessments of the impact of globalisation on the state: the end of the state; and the myth of globalisation. It

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<sup>7</sup> This distinction has traditionally only been applied to governance at the national level.

seeks to demonstrate that both these interpretations of globalisation have consequences for the politics of accountability in MGG. In the second, I outline four theoretical positions to see how they inform the discussion on accountability. I explore the way the issue of accountability has been addressed by each of the perspectives, and the prospects for accountability in MGG.

## **Globalisation, Multilateral Global Governance and Accountability**

It is presumed by many commentators that over the past thirty years (and particularly the last ten) world politics has undergone a number of significant changes with globalisation the driving force behind them. This has led some to assert that globalisation is a qualitatively different phase in world politics, a break from the past and the key feature of the contemporary world. (Holm and Sorenson, 1995: 1 Strange, 1996: 7-9; Cox, 1994: 45-46; Agnew and Corbridge, 1995: 164-227; Vogler, 1996: 194-195; Luard, 1990: 33, Pearson, 1994: 4; Scholte, 1997: 14). One significant aspect of globalisation has been its impact on the way we are governed. One of the defining characteristic of the contemporary era has been the expansion of MGG. It is generally agreed by the advocates of change that states and societies can no longer isolate themselves from the rest of the world, or from the effects of economic, environmental and political globalisation, and as a consequence many governance decisions are now made at the global level (Keohane and Nye, 1977; Rosenau, 1992; Groom and Powell, 1994: 81)<sup>8</sup>.

Debates about the nature of governance at the global level have been fuelled by two broad interpretations of the impact of globalisation upon the state. One I term the 'end of the state', the other I call the 'myth of globalisation'. It is not my intention to resolve all the issues put

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<sup>8</sup> Others argue that the spread of global governance is a process that has been developing over the past 100 years and can be traced back to the last century. Murphy (1994) takes his starting point as 1850. In the intervening years the numbers of International Governmental Organisations (IGOs) has increased from 37 in 1909, to 123 in the 1950s, to 337 in 1986 (Zacher, 1992: 65).



forward by these divergent sets of ideas<sup>9</sup>. My aim is to show how these two different views of the effects of globalisation upon the state, raise important issues for accountability in MGG.

### *The 'End of the State' Thesis*

Advocates of the 'end of state' thesis argue, to differing degrees, that the authority and legitimacy of the state is being undermined by globalisation. This argument has implications for accountability because it presupposes that state sovereignty has been eroded and there has been a loss of state autonomy to market mechanisms and multilateral global governance (Schmidt, 1995: 75). The divide between national and global decision-makers has become ever-more blurred, with state-based governance being undermined by transnational and multilateral global governance (Drucker, 1993: 142; Williams, 1996: 115: 118; Held, 1993, 1995). National governments appear to have ceded control over domestic policy whilst at the same time the variety of quasi-governmental institutions have flourished. It has been suggested in a wide range of literature that these changes have resulted in what has been described as the 'diminished nation-state' or 'defective state' thesis (Strange, 1995a; 1995b: 55; Cable, 1995: 23). The internationalisation of the state has come about because of this loss of authority, and has raised concerns as to whether these institutions of MGG 'transcend ... existing forms of democratic accountability' (McGrew, 1997a: 12).

At its most extreme, a '*hyper-globalization*' school argues that the state has declined or is in the process of terminal decline (Perraton et al, 1997: 257). Kenichi Ohmae proposes that the spread of global markets have created the 'dysfunctional state' (1993: 78). From this perspective states are no longer able to manage economic policy, and as a consequence, he

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<sup>9</sup> For a recent attempt at analysing contemporary debates about the nature of the state under conditions of globalisation see Clark, 1998.

argues, they should withdraw from this area of governmental activity (Ohmae 1993: 78).

According to Ohmae, national economic controls have become redundant due to the advances in technology and the burgeoning role of global markets. Consequently, any country that attempts to resist market-friendly policies will ultimately be forced to comply or risk their financial stability (Perraton et al, 1997: 257). National barriers have become unable to resist the mobility of capital and the impact of new information technologies, hence the idea of the 'borderless world' (Ohmae, 1995: 1-5). Ohmae believes these changes represent a positive development as economic structures become more important than political ones. Ultimately, he envisages a world where market forces determine political processes with intervention in the governance of markets unnecessary (Hirst and Thompson, 1995: 423; Hirst, 1997: 341).

There is also a less extreme view of the 'end of the state' (see Cable, 1995: 23; Strange 1994: 210). According to Strange, new technology, interdependent markets, the internationalisation of production and the growth of international business, have brought the authority and legitimacy of the state into question by eroding the state's traditional capacity to govern (1996: 5). In effect, the state has retreated from traditional areas of governance in the economic sphere, and regulatory power has shifted to institutions of MGG (1996: 161). Strange qualifies her view of state decline by arguing that states are not obsolete (distancing herself from Ohmae), but she nevertheless implies that the authority of the state is being undermined. However, she remains sceptical as to whether authority is being transferred into institutions of MGG (Strange 1996: 161). Recently Held has suggested that states, whilst retaining the capacity to act effectively in certain areas, have created other locations of governance, including institutions of multilateral global governance (1998: 389)<sup>10</sup>.

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<sup>10</sup> Held appears to have recently shifted his position to a more nuanced appreciation of the relationship between the state and globalisation. See his analysis of globalisation in *Marxism Today* Nov/Dec 1998: 24-27.

The 'end of the state' thesis is tacitly endorsed by Western governments and multilateral institutions like the IMF, World Bank and G-7. They reason that due to economic globalisation national policy options are limited and have become increasingly shaped by the global economy. Many politicians approve of this state of affairs because it is widely believed that the policy options that encourage globalisation result in economic growth and an increase in national wealth (Quershi, 1996: 30; Economist, 20-9-97: 19). This view is often presented as the 'common sense' approach to globalisation by politicians and the commercial sector, and is underpinned by neoliberal ideology. It is a widely held belief that resisting economic globalisation would be counter productive and largely ineffective due to the inevitability of global competitive forces (Peck and Tickell, 1994: 319). For example, Jacques Chirac, the French President, was reported as saying at the G-7 Lyon Summit that globalisation is unstoppable (Guardian, 1-7-96). Similarly, Tony Blair believes that there is no alternative to economic globalisation. In a recent radio interview he resigns himself to this, describing globalisation as being 'the way of the world' now (1998).

From this perspective the irreversibility of globalisation is stressed, as is the relative ineffectiveness of undertaking a national economic policy that conflicts with the rules of the market. In response to global processes states have resorted to internationalise decision-making in an attempt to manage the international economic system more effectively (Cable, 1995: 37). Implicit in the belief of the inevitability of globalisation is a belief in the efficiency of the markets and an unwillingness to challenge their authority. This shift towards the primacy of economic issues is reflected in the decline in the traditional political differences over economic management between the left and right (Cable, 1995: 43). By ignoring global markets a country risks its currency coming under attack by financial speculators (Evans, 1997: 67). Markets are

a form of global governance in their own right complete with market authority, rules and norms of behaviour. These arguments have a number of consequences for the way in which we think about accountability and MGG. Firstly, accountability implies the ability for the governed to hold the governors or decision-makers responsible for their actions. Some commentators have claimed that when these decisions are being made at the global level then ‘... the myth of accountability is difficult to sustain’ (Horsman and Marshall, 1995: 221). Governance at the global level means that at the national and local level citizens and social movements are distanced from decision-making, resulting in the de-politicisation of economic and political processes. This de-politicisation of global economic activity undermines the whole rationale of holding those that govern us to account. As states lose their authority, and markets gain in authority, it is more difficult for citizens to hold political elites to account for events over which they apparently have little control.

The dominance of a neoliberal market-led agenda means that there has been a shift in regulatory power from states to markets, and that the role of MGG is to support a systematic policy of privatisation and deregulation in national economies (Strange, 1995a: 296). Issues of accountability become blurred as the market regulates itself with minimal interference from states and institutions of MGG. As a consequence governance responsibilities become market-led, with the role of MGG to police the implementation of market reforms in national policies. The dominance of the market over state governance mechanisms obfuscate clear lines of responsibility in decision-making in the name of greater efficiency. This makes it more difficult to clearly identify which governance institutions should be accountable. Critics argue that the market is not a perfect means of allocating resources, and that governmental intervention is often necessary to offset market failures (Galbraith, 1997: 5-7; Hirst and Thompson, 1995: 428-30).

Thus, the end of the state thesis raises important issue about accountability in MGG. Firstly, the internationalisation of the state, undermines national autonomy and shifts governance mechanisms away from locations of popular accountability. Secondly, reinforced by the logic of the market, political issues become subsumed by the need of a neoliberal economic agenda. This de-politicises the political activity of MGG and prioritises the logic of world markets and in turn leads to a lack of accountability economic governance activity.

### *The Myth of Globalisation*

The 'end of the state' thesis has proved controversial and many writers claim that the alleged loss of state power and authority is a myth. The proponents of the myth of globalisation differ in their interpretations. Some argue that the idea of a global economy creating a powerless state is simply wrong. This view takes a broadly sceptical position and challenges the idea that anything fundamental has changed in world politics (Hirst and Thompson, 1996, Hirst, 1997; and Weiss, 1997). Another group views globalisation as an ideological device in the expansion of global capital, and that the most significant issue in the contemporary world is to understand the function of this myth in restructuring the relationship between the state and global capitalism (Gill, 1992, 1995; Cox, 1994, 1996a; Scholte, 1997: 452). A more balanced perspective reads globalisation as a multi-dimensional process that includes both continuities and change. From this perspective the state maintains a large degree of authority whilst at the same time alternative global forms of governance have become more significant with the state playing an important role in this process (Perraton et al, 1997 and Evans, 1997). From this perspective the global, national and local interact with each other, and states retain a key role in this re-constitution of world order (Holton, 1998: 186).

Those commentators who view globalisation as essentially an ideological device argue that globalisation acts to reinforce a positive neoliberal agenda characterised by global markets and non-state intervention (Cox, 1996b: 23-4). Their concern is with the negative social, environmental, economic and political impact of perpetuating the myth of globalisation. As Gills argues: 'the ongoing debate on globalisation is indeed a strategic one, and we seek to change the terms of this debate and alter its intellectual and political direction' (1997: 11). By strategic commentators mean that globalisation is an ideological as well as economic and political phenomenon and should be recognised as such.

This perspective believes that the idea of globalisation as inevitable and uncontrollable requires challenging. Confronting the myth of globalisation allows for the possibility of a more accountable form of MGG rather than the subversion of politics to economic rationality. If economic rationality dictates politics, then processes become apolitical and social justice marginalised by the justice of the markets (Gills, 1997: 12). The role of economic institutions of MGG is pivotal in the process of market driven governance because these institutions perpetuate the myth of globalisation and help to ensure that states do not react to popular opposition and intervene to unsettle the markets. This amounts to what Evans describes as a 'global ideological consensus' (1997: 71-72). One implication of this is that globalisation becomes a useful device for domestic governments to avoid responsibility for unpopular policies. Critics of the globalisation process argue that it becomes an excuse for states to no longer preserve the same level of social welfare (Lewis, 1997). State actors have become divorced both from their responsibility and the usual mechanisms of accountability. This has been described by Gill as the '*globalisation of excuses*' (1997b). Whilst some of the excuses offered by globalisation may be legitimate, it has been pointed out that there is a big difference between governments saying 'there is nothing we can do' and 'we don't want to do anything'

(Hobsbawm, 1998: 6). This rationale for non-intervention can be extended to the institutions of MGG helping them avoid the accusation that globalisation is politically driven. However, Beck has argued that under these conditions where 'nobody rules' power is at its 'most tyrannical ... because nobody can be held to [account]' (1998:15).

Others claim that the most powerful states have adapted to global processes resulting in both continuities and changes in the governance process (Castells, 1997: 266; Weiss, 1997: 13). The continuities according to Scholte are that: '... state and interstate relations persist at the core of governance arrangements in the contemporary globalising world'. Whereas the changes include: '...the character of the state: its capacities; its constituencies; its policy-making processes; its policy-content; and so on' (1997: 428). Scholte claims that the state is not a fixed and unchanging object: 'the state has retained a pivotal significance in globalising capital, it has lost its former core attribute of sovereignty' (1997: 442). A significant part of this change has been the pooling of authority at the global level into forums and institutions of MGG. Whilst globalisation has undermined certain aspects of the state, the sovereignty and autonomy of states has been transferred into institutions of MGG. It is claimed that this shift in the location of governance has resulted in less accountability and surveillance of the governance processes (Clark, 1998: 482).

In fact, some claim that the process of globalisation has strengthened liberal capitalist states as they have transferred powers to global regulatory bodies. Rather than states 'surrendering national competencies ... it is a process of creating power ... exceeding those that might be held by states acting alone' (Bromley, 1996: 4). The state is being transformed rather than diminishing in authority. Globalisation and the internationalisation of the state do not signal the end of the state: instead the state 'is a key element within processes of globalization rather than

something opposed to them' (Brown, 1995: 56). From this perspective, institutions of MGG compliment and reinforce the state, with states creating the conditions for economic globalisation and the institutions of MGG. Evidence that the state has played a central role in the globalisation process is presented by Eric Helleiner. He has identified three key functions undertaken by states in the promotion of economic globalisation: i) failing to implement effective controls over capital flows; ii) liberalising financial markets; and iii) preventing major financial crises (1994: 166-172). Thus economic globalisation, promoted by states, has been reinforced through the institutions of MGG. The IMF, World Bank and G-7 have all advocated and followed policies that reinforce the economic processes of globalisation. It is still states that create the rules necessary to underpin the idea of accountability in MGG. Accepting this makes accountability in MGG an important condition of the current political and economic conditions characterised as globalisation.

This view is reinforced by those sceptical writers who believe global processes are not ungovernable and that regulation of the global economy is possible (Hirst and Thompson, 1995: 408). The sceptical position favours a reaffirmation of a traditional state-centred argument that privileges the continuing centrality of the state in the governance process. Implicit within this argument is that the negative effects of globalisation on the authority of the state have been exaggerated (see McGrew, 1997a, Hirst and Thompson, 1996). What remains important is the role of policies undertaken by states and the ways MGG undertake to carry these policies out: 'the central functions of the nation-state will become those of providing legitimacy for and ensuring the accountability of supra-national ... governance mechanisms' (Hirst and Thompson, 1996: 171). The nation-state remains the primary agent to ensure the accountability of MGG. Similarly, the commentator Will Hutton observes: '[the] global market needs superintending and policing. Governments could and should co-ordinate their policies to



manage it ... the IMF, the World Bank, the World Trade Organisation - are more not less important' (Hutton, 12-6-95). To undertake the policing of financial markets the institutions of MGG would need to have more regulatory authority (Jordan, 1996: 85). However, what also needs addressing is how these institutions, with increased regulatory powers, would be held to account.

To recap (see Table 1), the 'end of the state' thesis alleges that the internationalisation of decision-making reflects the declining autonomy of the state and the shift towards market authority underpinned by the regulatory power and authority of MGG. The logic of the defective state thesis also pushes governance mechanisms further from locations of popular accountability. Reinforced by the logic of the market, political issues become subsumed under the terms of a neoliberal economic agenda. The de-politicising of the political activity of MGG gives priority to the neoliberal economic agenda over effective wider public accountability of these institutions. The myth of globalisation literature highlights the way in which arguments about the inevitability of globalisation and the 'end of the state' thesis needs to be challenged to re-establish the principle of public accountability. Through recognising that the state has played an integral role in the globalisation process it creates the rationale and possibility of holding these regulatory bodies to account. In concluding this section, it is my contention that the end of the state and the myth of globalisation arguments, raise important issues for accountability in MGG. However, both these neglect to engage fully with the complexities that surround this issue and particularly the extent to which public accountability in MGG is desirable or possible. In the next section I review the way in which different theoretical perspectives on MGG have addressed the issue of accountability.

**Table One: Two Views on Globalisation and the State**

<b>Two Views on Globalisation and the State</b>	<b>Consequences for State Governance</b>	<b>Consequences for Accountability</b>
<b>The 'End of the State'</b>	<p>The authority and legitimacy of states is being undermined leading to claims of defective states.</p> <p>State sovereignty has been eroded and there has been a loss of state autonomy to market mechanisms and multilateral forms of governance</p> <p>It has been suggested that globalisation has led to changes in changing pattern of governance.</p>	<p>Accountability is undermined as states cede autonomy to market mechanisms and multilateral from of global governance.</p> <p>Accountability is weakened as the internationalisation of the state pushes governance mechanisms further from locations of popular accountability.</p> <p>Reinforced by the logic of the market the issue of public accountability in MGG becomes subsumed under the terms of a neoliberal economic agenda.</p> <p>The de-politicising of political processes impoverishes the idea of accountability in MGG.</p>
<b>Myth of Globalisation</b>	<p>The loss of state power is a myth. States retain and have increased in power facilitating globalisation.</p> <p>States adapt to globalisation and, in many cases have been the driving force behind it.</p> <p>Globalisation acts as an ideological device to obfuscate responsibility for decision-making at the global level.</p> <p>There is a need for more intervention and increased regulatory power of MGG.</p>	<p>The political agenda needs to be re-established over the economic by increasing the accountability of MGG.</p> <p>Many decisions made by MGG go unchallenged because globalisation is a useful ideological device to avoid criticism of the economic system. This has been described as the 'globalisation of excuses'.</p> <p>States play an integral role in the globalisation process and the creation of institutions of MGG. As a consequence they should ensure greater accountability in those institutions.</p>

## Perspectives on Multilateral Global Governance and Accountability

In this section I outline four perspectives on MGG. Each presents a different empirical and normative account of accountability. They are divided into two groups: state-centred perspectives and transformationalist perspectives. The former plays down the extent to which states and the state-system have changed under conditions of globalisation. The latter, to varying degrees, postulate that a transformation has occurred in the mode of governance and that the institutions of MGG are an integral part of this change. By utilising this categorisation, I follow the analytical framework of McGrew, 1997a and 1997b, who has applied it to questioning whether globalisation has transformed the conditions of territorial liberal democracy.

### *The State-Centred Perspective*

A traditional state-centred view of MGG defines these institutions as being essentially dominated by states, with the focus primarily on the way these institutions enhance national interest (Archer, 1992: 72; Cupitt, Whitlock and Whitlock, 1997: 7). As a consequence there is an implicit assumption that the character of world politics remains centred around states despite the processes of globalisation. A key characteristic of this world order is the continuation of traditional power politics and the international system reflecting the interests of states. By distinguishing between what occurs *inside* states (the domestic sphere) from the *outside* (the international system) it creates two distinct areas of political activity (described recently as the 'Great Divide', Clark, 1998: 479)<sup>11</sup>. These two spheres of social activity are

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<sup>11</sup> Interestingly, the inside/outside distinction has been applied to the analysis of secrecy in another guise. However, the effect is the same: it works to exclude actors from political processes. For more detailed discussion, see Chapter 2.

treated as separate entities with events occurring at the international level deemed beyond the scope of the usual domestic forms of public accountability. This helps explain why 'an aggregation of democratic states [does not] produce democratic multilateralism' (Clark, 1998: 486). Thus, by limiting our view of the world to states and their representatives it acts as an obstacle to increasing the scope of accountability in MGG.

This separation between what occurs inside the state from events outside the state makes the possibility for increased accountability, access to information and greater transparency in institutions of MGG problematic. The issue of wider public accountability within MGG is considered to be a marginal concern or a non-issue due to the continuing primacy of the state (Archer, 1992: 78-87). This is compounded by the international system which: '... puts a theoretical barrier between state-centred multilateralism and the civil society that lies beyond it' (Cox, 1997: 104).

Critics of the state-centred approach believe this artificial separation is outdated in an era of global politics, and that the inside/outside continuum is not as fixed as orthodox international relations theorists imply. For example, critical social movements are beginning to challenge the boundaries, and there appears to be some blurring of the distinction (Smith and Bayliss, 1997: 2). Shaw reasons that rather than separate levels of analysis, the complexity of social relations as a whole need investigating (1994: 99). Instead of maintaining distinct analytical categories, political processes need to be inclusive of a wide range of actors other than just states (Smith and Bayliss, 1997: 2). Hence the idea of bringing society into the traditional state dominated international relations.

Traditional state-centred international relations place constraints upon the boundaries of accountability. At the international level accountability in MGG is viewed essentially as an inter-state affair between state representatives and bureaucrats. This view is reflected in a series of interviews with the executive directors of the IMF and World Bank, one of whom responded, 'the Bank cannot intervene between government and its citizens ... Bank interaction must be with the government that represents the people' (Bischel, 1994:15). The usual justification is that because the World Bank is not a political actor it has no authority to act as one. This reflects the traditional inside/outside dichotomy of international relations between states and societies (Walker, 1993: 1-25). By this means the justification for the demarcation between the global and national level is continued, and the principle of public accountability in the sphere of global issues becomes more difficult to sustain.

Challenging this position requires re-thinking the idea of accountability as it applies to MGG. This view is reinforced by others who believe that fixed ideas about the state can be challenged. In his critique of the state system, Ashley reasons that what may appear given and immutable is in fact a social and historical construct: '... the recognisably objective structures of global life, far from being autonomous and pre-given conditions, are arbitrary and contingent *effects* that are imposed in history through practice, and to the exclusion of other ways of structuring collective existence.' (1989: 253). Because the institutions of MGG are socially constructed they can be changed to reflect new ways of social life. The whole idea of questioning traditional boundaries creates the space for an alternative way of structuring political life, with one possibility being a change from narrow and exclusive international relations to a more inclusive world politics (Hansen, 1997: 323-324)<sup>12</sup>.

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<sup>12</sup> This is something that has been attempted by Walker in his book *One world, Many worlds* (1988).

## *Transformationalist Perspectives*

The traditional state-centred view has been challenged by three competing interpretations which question, to varying degrees, the traditional state-centred approach to international relations and MGG. The processes of globalisation have challenged the idea that MGG is and ought to remain purely the domain of states. The three theories are neoliberal-institutionalism, radicalism and cosmopolitan democracy. Despite this, it is my contention that in this literature the issue of public accountability and the role of transparency in MGG is not dealt with adequately.

### *Neoliberal-Institutionalism*<sup>13</sup>

A distinctive feature of neoliberal-institutionalism is characterising the world as governed by a plurality of political and non-political institutions and organisations (McGrew, 1992: 20). In doing so this approach challenges the traditional state-based notion of governance as too narrow and missing the transnational dimension within governance process (Keohane, 1994: 58). Because of heightened levels of economic interdependence, states have been drawn into more co-operation in the global sphere, leading to the internationalisation of decision-making and a decline in state autonomy (Held and McGrew, 1993: 280). Neoliberal-institutionalism has posed a challenge to the traditional state-centred views of world politics by claiming that institutions of MGG have become new centres of governance beyond the authority of national governments (Held and McGrew, 1993: 265; Keohane, 1998: 82).

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<sup>13</sup> The interdependence or institutionalist approach has been popular since the 1970s and was initially conceived as a challenge to the dominance of the realist tradition, reflecting the changing nature of the world as portrayed by people like Keohane and Nye, 1977.

The neoliberal-institutionalist approach argues that it is wrong to conceive of governance institutions only in terms of states because this ignores the increasing degree of complex interdependence that exists at the national level, and the extent to which globalisation has eroded the power of the state (Keohane and Nye, 1977; Burchill, 1996: 55). As a consequence institutions of MGG will increase the scope of their activities as states realise their rational self-interests are best met through institutional co-operation at the global level (Hurrell and Woods, 1995: 6). This view implicitly recognises the institutions of MGG as autonomous and important political actors in their own right (McGrew, 1992: 20).

A crucial component underpinning the neoliberal-institutionalist perspective is the role of the market in the efficient distribution of goods and services. Economic interdependence means that the global market is the primary mechanism of resource allocation, and free trade amongst competing states encourages co-operation as states are drawn into the burgeoning global economy. Co-operation and not conflict is the order of the day, with multilateral regimes and institutions providing the forum for co-operation (Burchill, 1996: 37). In a world dominated by markets, the function of economic institutions is to maintain the most efficient operation of the markets. This rationale is reflected in the operations and policy recommendations of the IMF, the G-7 and the World Bank (Cox, 1994: 46).

It is claimed by neoliberal-institutionalism that markets provide the best means of ensuring accountability by forcing out inefficient or corrupt governance practices. To do this markets require access to information and transparency in the economic and political process to maintain economic stability. When a lack of transparency is apparent, the world markets become more volatile (for example, see Chapter 4). Thus, a principal justification for

transparency and increased access to information is to enhance the working of global markets to ensure their increased efficiency.

For neoliberal-institutionalism a core requirement of international institutions is to ensure and promote the transparency of actors behaviour to arrive at an intersubjective agreement on the rules for co-operation. It is claimed by Kratochwil and Ruggie that institutions of MGG can be very effective in creating transparency by proliferating a set of shared norms and values (1997: 35). The aim of transparency in this sense is to enhance the trust between participants who have entered into global agreements. This desire for openness is reflected in a wide range of multilateral agreements, for example the terms of Non-Proliferation Treaty mean that: '... the likelihood that any actor can conduct secret nuclear tests...is now vanishingly small' (Young, 1992: 178). The behaviour of actors is monitored, thus enhancing the prospects for co-operation and compliance with the norms and rules of multilateral institution.

Keohane argues that the role of MGG is to reduce uncertainty in the world by improving the quality and quantity of information available (1983: 161-165). He believes increased access to information reduces risk and uncertainty, this implies that open governance is preferable to closed governance. By arguing that openness is beneficial and leads to informal contacts and the sharing of once confidential internal documents, Keohane believes it will lead to more open discussion. This sharing of information and greater openness is the means to enhanced co-operation, building trust and securing the continued existence of the international agreement.

Recently Keohane has raised the question of how institutions of MGG are governed (1998: 83). He argues that accountability in international institutions can only be attained through



‘conditions of maximum transparency’ (1998: 94). This he suggests can be achieved through the participation of non-government organisations and new technology, creating an environment of public scrutiny. In advocating greater transparency Keohane however does not engage with how the obstacles to greater access to information and participation will be overcome. He presents a fundamentally apolitical and technocratic view of reforming the institutions of MGG that lacks a political dimension (Long, 1996: 496). Critics of neoliberal-institutionalism continue to be concerned by the lack of public accountability in the institutions that the perspective promotes (Burchill, 1996: 58).

Despite identifying a range of actors operating at the global level a key criticism made of neoliberal-institutionalism is the continuing primacy they give to the state and interstate relations. Keohane argues that the key role of institutions of MGG is to help states achieve their goals (1998: 83). As a consequence a number of commentators argue that this perspective retains some similarities with traditional international relations which maintains the state as the principal unit of analysis (Dunne, 1997: 158; Long, 1996: 492, Waltz 1998: 385). Sklair describes the ‘transnational model’ of Keohane and Nye as continuing to conceptualise ‘the state and its agencies as by far the most important actors in the global system’ (1991: 4). However, by maintaining the state as the principal unit of analysis it perpetuates the problems of exclusion and a lack of accountability in the institutions of MGG. States remain the key actors and a more expansive type of transparency and accountability incorporating wider society is marginalised. The neoliberal-institutionalist perspective does not engage with the political arguments needed to extend its commitment to transparency to making the institutions of MGG more accountable.

This exclusion of wider society is reinforced by the orthodoxy of the neoliberal agenda as it dominates, constrains and shapes political activity, with the disadvantaged in the global system powerless to resist (Galbraith, 1997: 5). Globalisation is presented as an inevitable and unstoppable process which some believe will become a self-fulfilling prophecy (Ferguson, 1992). Its taken for granted assumption about globalisation and world order has resulted in critics claiming that neoliberal-institutionalism acts as an ideological device to obfuscate the rationality of economic globalisation.

The implications for accountability are that this separation of the economic from the political makes it likely that MGG will remain largely unaccountable, despite the rhetoric of transparency within institutionalism. According to critics, the institutionalist approach presents a view of MGG which seeks to support and deepen the current institutions of MGG rather than challenge them (Broadhead, 1995: 663). Neoliberal institutionalism represents 'globalisation from above' with global market forces dominant over social forces, and accountability viewed primarily as accountability to the market (Falk, 1995: 172).

### *Radical Perspective*

From this perspective the global order is a reflection of capitalist material and ideological structures. A central concern of this approach is identifying the sources of domination and power in the social, cultural and economic world which shape, constitute and re-constitute the prevailing world order (Devetak, 1996: 156; Falk, 1997: 43). This includes not only state forms but also a wide range of structures of modernity, the latest being globalisation (Devetak, 1996: 156). To reinforce this point Gill claims that a central aspect of the globalisation process has been the 'internationalisation, transnationalisation or indeed globalization of the state'

(1993: 9). From this perspective the global re-configuration of power around the internationalisation of the state means there are limits upon a more accountable formulation of MGG. As a consequence accountability, almost by definition, cannot exist without sweeping changes to the nature of world order.

The radical perspective is concerned with explaining how this shift towards MGG came about by analysing the trend towards hyper-liberal forms of capitalism. It is argued that the shift in governance to the global level stems from the crisis occurring within the capitalist economic system during the 1970s, characterised by the end of cheap energy and cheap money (Cox, 1996a: 247). This point is reinforced by Stephen Gill who argues that it was the re-structuring of the global economy on a neoliberal model, and not the Cold War, that was the most significant event in recent times. The role of MGG in the 1980s and 1990s was central in this process with the G-7, IMF and the World Bank supervising a structural transformation of the global economy (1992: 272).

Thus, according to this perception of the world, the institutions of MGG have become a key component in the production of dominant social forces. This particular mode of social relations based upon a capitalist world order comes about due to the interaction between ideas, institutions and material capabilities (see Cox, 1996: 98). According to Cox, those ideas that are intersubjective or commonly shared, come to define the nature of social relations. For example, the IMF and the World Bank through the universal application of the ideas and policies of the neoliberal development model, 'stabiliz[e] and perpetuate a particular order' (1996: 99) by creating a hegemonic discourse. The material means to undertake this project are found in the technological and organisational capabilities of these institutions (Cox, 1996: 98). The model has been shaped by a combination of capitalist production, the hegemony of the

United States and the Bretton Woods Institutions (Van der Pijl, 1984). The political coherence of this neoliberal orthodoxy has been determined by the 'historic bloc' of social forces, ideas, institutions and material capabilities (Gill, 1992: 271). As Cox explains:

'There is a transitional process of consensus formation among the official caretakers of the global economy. This process generates consensus guidelines, underpinned by an ideology of globalization ... [this takes place] ... through the Bank for International Settlement, the IMF and the G-7. These shape the discourse within which policies are defined, the terms and concepts that circumscribe what can be thought and done.' (Cox, 1994: 49).

From this viewpoint globalisation plays an important part in the process of reinforcing the hegemony of global capitalist interests. The hegemony of globalisation stresses the inevitability and irreversibility of this process, whereas Cox argues it is a creation of the social, economic and political structures that create the rules, which support the dominant mode of production (1996a: 102-109). For Cox one of the most important components for the maintenance of this world order are the institutions of MGG which he describes as the mechanisms of hegemony. Multilateral global governance performs an ideological role by legitimising the policies implemented by international organisations and setting the policy agenda for states. States are accountable not to their citizens but to the international economic order (Cox, 1994: 45). Institutions of MGG are central to the maintenance of the global capitalist system, supported by a discourse of globalisation that denies an alternative.

The implications of this analysis for accountability in MGG are profound as regulatory power and authority shifts from the domestic sphere to the global, moving the location of governance

further away from public view. This shift is then legitimised at the national level by political leaders who maintain they are powerless to resist the forces of globalisation. The result has been the insulation of capital from popular scrutiny and accountability (Gill, 1992: 269). According to Cox a consequence of this loss of regulatory power has been the disempowering of civil society, the primary source of opposition to globalisation (1996a: 113).

A further implication of this analysis is that the discourse of transparency as a means of accountability in the processes of MGG loses its political and radical content as a source of opposition (see Chapter 3: sections on top-down and bottom-up transparency). Transparency becomes associated most closely with market accountability. The logic of the market posits that everyone benefits from a stable global economy and therefore it follows the logic of 'enlightened self-interest' to both increase transparency in national economic policy and empower the surveillance role of MGG to ensure no one country is trying to buck the market. To behave otherwise would, according to market logic, be irresponsible. However, Murphy points out: '...the structuring of social relations by the promulgation and promotion of "consensual" norms followed by the construction of institutions to monitor compliance, quickly becomes an invisible and seemingly benign form of social control' (1994: 114). The result of this is that these institutions then 'create modes of behaviour and expectations consistent with the hegemonic social order' (Cox, 1996a: 126). According to Robinson this means that 'even the fairest, most open and transparent process, administered with perfect impartiality, will not generate good outcomes if the rules of supranational [institutions are determined by the logic of free market forces]' (1995: 375).

In his conclusion to *Production, Power and Social Order*, Cox identifies one source of change in the world order: the weakening of global hegemony through the mobilisation of counter

hegemonic historic blocs, the result of which is a diffusion of power (1987: 394). Cox (1997) believes that a reconstituted civil society provides the basis of a new multilateralism which is based upon democratic principles including greater accountability. What is required is a restructuring of multilateral institutions - an approach that has been advocated by the 'Multilateralism and the United Nations' (MUNS) Project (see Gill 1997a: 6-8). The MUNS Project advocates the need to understand the processes of globalisation, the role of MGG and the transformation of the inter-state system (Gill, 1997a: 7). The obstacles to more accountable forms of MGG appear strong, however pressure from below for an increased role for civil society continues to challenge these powerful forces.

Critics of this approach point to the way the radical approach places constraints upon agents to affect the structures of global capital<sup>14</sup>. If we accept that resistance and the reform of global capital might be possible, then determining how this could be done through human agency remains a central concern. Others claim that Cox has failed to comprehend the complex and multi-dimensional nature of globalisation and the contemporary social order; he is mistaken in his belief that globalisation has led to an emerging international structure of authority, the internationalisation of the state, and a hegemony of transnational social forces (Germain and Kenny, 1998: 4: 16). Instead states continue to take and make decisions albeit in the context of multilateral institutions such as the IMF and G-7. This realisation, it is argued, questions the extent to which authority has been reconstituted around the internationalisation of the state (Germain and Kenny, 1998: 16). Other criticisms are made by Spegele who asks why is it, as Cox insists, that a more emancipatory world order 'can only be built through a political movement capable of uniting sufficient of the segmented elements of existing societies into a counter hegemonic bloc' (Cox 1987: 403). Spegele goes on to suggest that the possibilities of

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<sup>14</sup> For an example of individuals and NGOs mounting a successful campaign against the World Bank, see case study in Chapter 6.

this counter hegemonic bloc are limited, and questions whether there is a viable, superior alternative (form of governance) to MGG available at the global level (1997: 224).

The radical approach of Cox and others has an important contribution to make to the discussion of accountability in MGG. However, this perspective remains pessimistic about the prospects for wider accountability. This is because from this perspective the structural dominance of transnational forces make the possibility of holding institutions of MGG to account a distant and unlikely proposition<sup>15</sup>. From this analysis the possibility of increased levels of accountability in MGG is limited at best and non-existent at worst. As a consequence accountability becomes a non-issue because transparency, accountability and participation are largely illusory.

### *Cosmopolitan Democracy*

The final transformationalist theory to be looked at here is the school of cosmopolitan democracy. Its starting point is a dissatisfaction with existing modes of governance under conditions of globalisation (Held, 1997: 296). According to Held globalisation has changed the spatial limits of governance and the traditional state-centred view is being displaced by a nascent transnationalism (1995: 91). Due to global processes there is a need to link groups existing at the national and sub-national level with those institutions of governance at the global level (Hoffman, 1995: 211). Cosmopolitan theorists believe that the peoples of the world should and can play an active role in their governance through global institutions in conjunction with state institutions (Archibugi, 1995: 135). This is underpinned by the belief that the forces of globalisation have created multiple disjunctures that challenge the traditional state-centred

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<sup>15</sup> Others have acknowledged this limitation and have attempted to move beyond merely providing a critique of transnational neoliberalism through what they describe as a politics of resistance (See Gills, 1997).

perspective: international law; internationalisation of political decision-making; international security structures, globalisation of culture and the world economy (Held, 1995: 101-134). According to Held the changes emanating from developments in these five areas have resulted in a shift in location and the nature of the governance process away from territorially bounded, sovereign states (Held, 1995: 135).

In common with neoliberal-institutionalism, advocates of cosmopolitan democracy believe the process of governance occurs not only in state constituted institutions but in a range of non-governmental organisations. In contrast to neoliberal-institutionalism, the cosmopolitans envisage the ‘... creation of a democratic community which involves and cuts across the democratic state’ (Held, 1995: 13). This change to the democratic community is fuelled by global processes, and the ‘globalisation of modern life’ presents new challenges to the way global politics should be viewed. The forces of globalisation have led to ‘new forms of political community and citizenship in the global age’ (Linklater, 1993: 6). This can be viewed as a direct challenge to Westphalian norms and the traditional distinction between the inside (domestic polity) and outside (international relations). Cosmopolitan democratic theory rejects artificial state boundaries. It attempts to establish the connections between different levels of governance and span the political space between the traditional inside/outside distinction, thus creating a more inclusive form of polity.

A primary question that Held wants to address is that under conditions of globalisation ‘to whom are decision-makers accountable, and to whom should they be accountable?’ (1991b: 204). According to Held, traditional democratic theory has conventionally decreed that accountability is an issue for national politics. This traditional view is brought into question because ‘the very process of governance can escape the reach of the nation-state’ (Held, 1993:



25). Because public policy is now made in issue areas which transcend national interests through the mechanisms of MGG there is a need for these mechanisms to be accountable.

As indicated above, Held identifies five disjunctures or developments which have contributed to undermining the principle of public accountability between citizens and the state. The most important of these for this discussion has been the 'internationalization of political decision-making' (Held, 1995: 107). According to Held, national governance has been compromised by multilateral forms of governance. To his credit he does qualify this statement and points out that this should not necessarily be taken as a threat to sovereignty due to states inviting assistance from the IMF or the World Bank (1995: 111). Held reasons that the key issue is not whether states have ceded power and authority to institutions of MGG, rather what the internationalisation of decision-making means for policy-making, its implementation and the mechanisms of accountability (Held, 1995: 111).

The normative cosmopolitan model is based upon a perceived need to create supra-national bodies which require popular accountability underpinned by the principle of individual autonomy (Held, 1996: Ch 9). The concept of cosmopolitan democracy includes both this desire for enhanced individual autonomy and the reconstruction of governing institutions. Individual autonomy allows for individuals to act '... self-consciously, to be self-reflecting and to be self-determining' (Held, 1995: 146). This can be actualised through the provision of rights and the protection they secure for the individual. In order for this to occur a key feature of autonomy is accountability and transparency to protect against the use of arbitrary political authority and coercive power (Held, 1996: 300).

Thus, the principle of autonomy has important implications for accountability, not least because autonomy means individuals have institutionalised rights. These include the right to access and participation in those institutions that condition social life and which exercise political power (Goldblatt, 1997: 142). Thus, transparency is an integral part of this rights-based agenda for change. Accountability will be enhanced if the rights of the individual are upheld by governance institutions through increased transparency, information access and participation. Conversely, it assumes a respect for privacy in all matters other than those which may harm others (Held, 1996: 300).

Critics of cosmopolitan democracy identify a number of problems with this approach. It does not give a convincing account of how global capital can be tamed (McGrew, 1997b: 253; Jordan, 1996: 85). The very nature of economic globalisation constrains the possibility of a more accountable form of MGG. It reinforces the traditional global multilateral institutions, leaving them 'insufficiently regulated and restrained' (Jones, 1997: 48). A key question for critics of the current neoliberal economic orthodoxy is how, under current conditions of deregulated interconnectedness, can control over capital be re-established? (Leys, 1996: 56). By accepting the inevitability of globalisation and the neoliberal economic agenda, the best that can be expected is more effective management rather than a radical shift in the mode of governance (Broadhead, 1995: 654).

Also, Held fails to explain why those with power would want to give it up for the principle of democratic autonomy (Goldblatt, 1997: 149). He appears to believe that reforms are possible without acknowledging the persistent and many sources of power in social relations. Thus, it would appear that the cosmopolitan approach gives the justification and the means for establishing greater accountability at the global level, however it is undone when it ignores

issues of contemporary power and authority, and how these structural constraints can be overcome.

Held contends that cosmopolitan democracy requires the creation of authoritative global institutions and the replacement of states' coercive powers with a reconstructed international order. His idea of cosmopolitan democracy does not appear to contain a clearly defined conception of power, and he gives insufficient weight to the structures and strategies states and MGG use to maintain power. It would appear, that the rights-based agenda of cosmopolitan democracy understates the nature of power relations at the global level. For example, where Held sees disjunctures in the internationalisation of the state, others believe that state authority is being extended and reasserted in new ways (Hurrell, 1995). Sceptics believe that a cosmopolitan democracy will remain an unfulfilled ambition because the existing world order remains one based upon the continuing sovereignty and autonomy of the state (McGrew, 1997b: 255).

Critics argue that cosmopolitan democracy is no more than a normative dream and that there are limits to how far the globalisation of economic affairs can be made more accountable (Martin, 1996: 153). In fairness to Held, it is for this reason that accountability needs to be pursued at the local and national levels, and a balance struck between global and local interests. However, it has been pointed out that the principle of autonomy may enhance accountability, but it is not clear if this principle would be widely embraced (Goldblatt, 1997: 149). As Spegele points out, accountability will not necessarily be enhanced by living in a more global world (Spegele, 1997: 224). In his critique of Held's work, Goldblatt points out that the ideals of a cosmopolitan democracy remain constrained by the primary mode of domination, the sovereign state (1997: 149).

A further critique of cosmopolitanism is provided by Danilo Zolo (a confessed ethical relativist) in his work *Cosmopolis* in which he rejects the universalism of cosmopolitanism. Zolo raises an issue about the moral content of cosmopolitanism and particularly its universal rights dimension. This is based upon a scepticism that a cosmopolitan form of governance could and should transcend national borders. He concludes that the most likely outcome in this direction would be the reproduction of coercive powers in the form of a 'single planetary superpower' (1997: 121). Importantly, in his critique of cosmopolitanism, Zolo makes the case that it is essential to distinguish between problems which are global in scope, and those that are only solvable by resorting to some type of supranational authority.

Notwithstanding the criticisms made of the cosmopolitan approach it has much to recommend it, particularly from a normative perspective. Its strengths are that it suggest the possibility of a democratic form of multilateral global governance that places issues of accountability at the core of its analysis. Its main limitation is the extent to which the cosmopolitan ideals are feasible in the existing world order. As a consequence the perspective remains susceptible to criticisms of being utopian. It is not probing enough in its analysis of authority and power in the world, and although it holds out the prospect for an accountable form of MGG, it is not clear how this would be achieved and what problems would be encountered.

**Table 2: Four Perspectives on Multilateral Global Governance and Accountability**

Perspective on Multilateral Global Governance	Key Characteristics	Prospects for Accountability
<b>State-centred Perspective</b>	In a traditional state-centred approach institutions of MGG are dominated by state actors. There is an implicit assumption that the nature of world politics remains much the same despite the processes of globalisation. It is the nature of power politics and the international system that act as obstacles to increasing the scope of accountability in MGG.	State-centred world order results in a narrow conception of accountability. Wider society remains excluded from the political process, with the global agenda presented as distinct from the domestic agenda.  This places constraints upon the notion of accountability. At the international level accountability in MGG is viewed essentially as an inter-state affair between state representatives and bureaucrats.
<b>Neoliberal Institutionalism</b>	This approach recognises a world governed by a plurality of political and non-political institutions. It challenges the traditional state-based notion of governance. To conceive of governance only in terms of states ignores the increasing degree of complex interdependence that exists at the global level and the extent to which globalisation has eroded the power of the state. Institutions of MGG will increase the scope of their activities through institutional co-operation	Transparency is primarily about market efficiency, and not about making the institutions of MGG more accountable.  The exclusion of wider society is reinforced by the orthodoxy of the neoliberal economic agenda. The implications for accountability are that the separation of the economic from the political makes it likely that MGG will remain largely unaccountable, despite the rhetoric of transparency.
<b>Radical Perspective</b>	The prospects for a more accountable form of MGG is constrained by the dominant capitalist ideological forces in society. The structural transformation of the global economy is managed by multilateral economic institutions and the ideology of globalisation is hegemonic.	The radical approach has an important contribution to make to the discussion of accountability in MGG. However, this perspective remains pessimistic and the prospects for wider accountability are considered poor. This is because from this perspective the structural dominance of transnational forces make the possibility of holding institutions of MGG to account a distant and unlikely proposition.
<b>Cosmopolitan Democracy</b>	Globalisation has changed the spatial form of governance so that the traditional state-centred view is being displaced. The peoples of the world should and can play an active role in their governance. Multiple disjunctures challenge the traditional state-centred perspective, and have resulted in a shift in location and the nature of the governance process away from territorially bounded, sovereign states.	The strengths of the cosmopolitan approach are its normative world view; and the recognition of individuals and groups as necessary for democratic accountability. Its main limitation is the extent to which this is possible under existing world order the governance mechanisms and thus it remains susceptible to criticisms of being utopian. It is not probing enough in its analysis of authority and power in the world.

## Conclusion

This chapter has set out to explore the relationship between accountability in MGG. Integral to the discussion have been the processes of globalisation which have led to the internationalisation of the state and the increased authority of multilateral institutions. From the perspective of the end of the state debate, the institutions of MGG are presented as an inevitable part of the globalisation process. Markets and multi-dimensional global forces have undermined the authority of the state leading to an increase in regulatory power of institutions of MGG. This raises uneasiness about the way we are governed and how these global institutions can be held to account. These concerns about the way we are governed under conditions of globalisation are at the centre of the critique presented by the myth of globalisation literature. It is claimed that by accepting both the inevitability and consequences of globalisation it acts to de-politicise the globalisation process and misunderstand the nature of the process. The ideology of globalisation acts to obfuscate power and authority and undermine accountability in MGG by shielding governments from criticism, whilst governance at the global level remains distant and unaccountable. However, despite the issues that both these perspectives raise for accountability in MGG, neither engage directly with how a more accountable form of MGG might be achieved. They fail to outline how more open, transparent and accountable institutions of MGG can be created, or what problems a more open and accountable formulation of MGG might have for effective and efficient governance at the global level.

The four theoretical perspectives present different possibilities for accountability in MGG: the state-centred and radical perspective are largely pessimistic, whereas the neoliberal-institutionalist and cosmopolitan approaches present a more optimistic picture. However, none

of these approaches have been subjected to close scrutiny to see how their prescription for accountability manifest themselves in empirical cases. The prescriptions offered by these perspectives fail to acknowledge how public accountability through the release of unbiased information; public access to information; openness in the governance and public participation in the policy-making process, can be achieved. The remainder of the thesis looks at these issues through the conceptual lens of transparency and secrecy. As the next two chapters demonstrate, the relationship between accountability, transparency and secrecy is not straightforward.

## ***Chapter Two***

### **Secrecy and Ambiguity**

The objective of public accountability in the institutions of MGG is threatened by the tension that exists between the practices of openness and secrecy. Traditionally an environment of openness is taken as the hallmark of publicly accountable political institutions, and secrecy is seen as its antithesis (Beetham and Boyle, 1995: 62-66). However concealment is often considered legitimate to enhance the function of governance (Shils, 1956; Bok, 1982). Due to this ambiguity about the use of secrecy, the guiding questions will be, what are the circumstances, if any, in which secrecy can be justified? What different interpretations can be placed upon the use of secrecy, and what are the implications of secrecy for accountability?

The existence of secrecy in institutions and political systems that would normally be considered accountable is well documented (Franck & Weisband, 1974; Galnoor (ed), 1977; Robertson, 1982: 1-3; Gibb, 1995: 213). Secrecy is ubiquitous and can be found in governance institutions at local, national, regional and global levels (Tefft, 1980: 9). In studies of the social role of secrecy, the most common approach is to explore the way that secrets impact upon other people and particularly the consequences for those who have been excluded from the contents of the secret (Luhmann, 1989: 161). To understand the implications of this exclusion for accountability it is necessary to understand the relationship between secrecy and the exercise of power (for example: Simmel, 1969ed; Shils, 1956; Bok 1982; and Bellman 1984).



There are three main sections to this chapter. The first explores the ambiguity of secrecy by looking at the relationship between secrecy and power; the role of secrecy in the governance process and concludes by discussing the morality of secrecy. The second section sets out four types of secrecy which are categorised as institutional, productive, neutral, and functional. The final section examines the role of secrecy in MGG by looking at the mystification of global authority; the prospects for the reform of MGG to make it more accountable, and finally the relationship between secrecy and efficiency in governance processes.

## **Secrecy and Ambiguity: ‘Man’s greatest achievement’ or a source of misgovernance?**

Specific reference to the study of secrecy is not prevalent in the literature on multilateral global governance (or for that matter in the social sciences in general). According to Gibb the study of secrecy has been a peripheral concern for scholars of International Relations (1995: 213).

Notwithstanding this those who have paid particular attention to the phenomenon of secrecy have identified it as one of the most important of the myriad forms of social acts that exist.

Simmel goes as far as to describe secrecy as ‘one of man’s greatest achievements’ (1969: 330).

The reason why Simmel places such importance upon secrecy is because secrecy offers the possibility of a ‘second world alongside the manifest world’ (1969: 330). According to Simmel, secrecy offers the possibility of two worlds existing simultaneously; one world that is visible and manifest, and another world that is hidden and concealed.

Because this other, secret, world hides its content from the manifest world it creates the possibility that the latter can be decisively influenced by what is concealed, thus the secret world creates the potential for ‘an immense enlargement of life’ (Simmel, 1969: 330)<sup>16</sup>. It is

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<sup>16</sup> The mystical and ubiquitous quality of secrecy is explored by Joseph Conrad in his work *Under Western Eyes* ([1910] 1985: 99). He writes, ‘Can you conceive of secret places in Eternity? Impossible. Whereas life is full of them’.

this increased scope to act undetected in a wide range of social relations that is the attraction of secrecy. The primary attribute of secrecy is that it creates space in which activities can occur that would otherwise prove difficult or impossible, and which can range from the innocuous pursuit of privacy, to the harmful reinforcement of power. As Feldman points out, secrecy provides the means to ‘accomplish one’s goals that would be difficult or impossible to accomplish otherwise.’ (Feldman, 1988: 87). The attraction of secrecy to governance becomes clearer by considering that without secrecy, sensitive agreements might not be reached; common interests might be threatened; and the mechanics of the policy process might fail to function efficiently and effectively (Shils, 1956: 25; Friedrich, 1972: 178). The utility of secrecy is supported by those who believe that the keeping of secrets is an intrinsic, if flawed, part of human nature. Any attempt to rid politics of secrecy would be futile, secrecy being a necessary, integral, functional and ubiquitous part of all social relations (Bok, 1982: 18-19)<sup>17</sup>. Because of this secrecy has been described as ‘a political act *par excellence*...’ (Feldman, 1988: 87).

## Secrecy and Power

Secrets confer a degree of power on the holder and for this reason a secret can be a seductive and powerful motivating force as a strategy in governance. The use of secrecy in the attainment and exercise of power has led Cannetti to comment that ‘secrecy lies at the very core of power’ (1973: 338). Underpinning most studies of secrecy is the assumption that the intentional use of

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<sup>17</sup> Another body of literature that rejects a belief in universal transparency and the simple dichotomy, between on one hand secrecy, myth and superstition, and on the other, openness and publicity, is the post-modern perspective. It is argued that in a post-modern era it is increasingly difficult to make choices between what is manifest and what is not, and that this ambiguity is a characteristic of the contemporary era. Rather than producing a more transparent society, what we have is one that is more chaotic and complex with meaning increasingly difficult to discern, resulting in a greater confusion and chaos of social relations (Vattimo, 1992: 4). Similarly, Bauman argues that the ‘quest for order’ in contemporary society is a fight between openness and concealment; the modern world is full of ambivalence and part of this ambivalence is that ‘opacity emerges at the other end of the struggle for transparency’ (1991: 13). In this sense openness and secrecy are part of the same process and the struggle for openness only results in greater confusion and disorder with the truth obscured. The contemporary era is considered to be an increasingly complex world, a world where social processes are mystified and become less transparent, more hidden and less obvious (see: Beck, 1992; Bauman, 1991; Vattimo, 1992).

secrecy serves to enhance the interests of those holding the secret (Petersen, 1993: 334)<sup>18</sup>.

Thus, it is impossible to explore the tension between secrecy and openness without investigating the relationship between power and secrecy. As Bok succinctly puts it, ‘conflicts over secrecy...are conflicts over power’ (1982: 19).

The legitimate use of secrecy is bound up with our conceptions of the relationship between authority and governance. In pre-modern times the use of secrecy was understood as an essential part of authoritative and legitimate governance: ‘Indeed part of the very moral ascendancy and self-esteem of the absolute monarch...lay in their consciousness of possessing *arcana imperium* [state secrets] from which all others in society were excluded’ (Shils, 1956: 23). The use of secrecy was a part of the ‘divine right’ to rule exercised under the authority of kings - the principle of *arcana imperium*. This esoteric rationale for secrecy was legitimised by the moral imperative that those with absolute power had literally a god-given right to exclude other lesser beings from the decision-making process (Bok, 1982: 6). The keeping of secrets symbolised power, acted as an instrument to impose the political will of the ruler and as a means of protection and self-preservation. Thus the importance of secrecy for ruling was not lost upon the absolute rulers: ‘the very act of hiding knowledge raises the value of what is hidden, both by lending it awe and by keeping it from public confrontation with potential rivals’ (Luhmann, 1989: 144).

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<sup>18</sup> The use of secrecy as a source of control and power is well illustrated in Bentham’s idea of the panopticon. The panopticon (an architectural device) is a prison in which the warders can continuously observe prisoners without the prisoners knowledge (or so they believe). The power of the panopticon is the creation of an ‘all-transparent’ environment (Bozovic, 1995: 1). At the same time the warders’ power is reinforced by them being able to conceal their actions from the prisoners. The prisoners remain visible whilst the warders are concealed. All the power of the inspector ‘derives from his invisibility, or more precisely, his invisible omnipresence’ (Bozovic, 1995: 9). This highlights the role that secrecy can play in society when one group is able to conceal themselves, information or decision-making from another. The secret, concealed group is all powerful and able to resist being challenged whereas the exposed group are transparent and vulnerable. Foucault has also used the ideas of the panopticon in his discussion of modes of surveillance, governance and control in contemporary society. See Foucault, 1977.

With the coming of the Enlightenment and the revolutions that overthrew autocratic rule in the Western world over the period of 150 years, the myths, superstitions and tradition of the old order of rulers were gradually replaced by openness, the rule of law and the establishment of democratic rulers (Brautigam, 1991: 7). The rule of the governors was based upon principles of accountability and participation, with secrecy viewed as illegitimate except in exceptional circumstances relating to matters of national security or the stability of the state (see Held, 1996: 70-71). Even so, 'one way that ruling elites can gain and hold control is by preventing citizens from having access to, or from achieving some understanding of, certain types of information' (Restivo, 1986: 81). As a consequence the continuing use of secrecy remains an attractive option when in power.

The legitimate use of secrecy is premised upon the authority of institutions. This stems from the Weberian notion of rational-legal authority which justifies certain acts to ensure the efficient running of society (Robertson, 1985: 17). According to Gibb an institution unable to protect itself from external threats may quickly dissolve as it is unable to control those external forces that may pose a threat to it (1995: 214). Too much transparency can be viewed as a threat to the authority of the governing institution because it may undermine both the rational and traditional basis of governance. Therefore secrecy if it secures the authority of the institution may have a good effect upon society. Furthermore, it does not necessarily follow that just because the public are excluded from the decision-making process they will be worse off for it.

The issue of access to information highlights the ambiguity of secrecy. Secrets do not always convey strength and may undermine the power they are designed to secure. One of the paradoxes of secrecy is that secrets are extremely difficult to keep. This is because 'information is generated and broadcast so widely it becomes almost impossible for a clique to

keep it under wraps' (Independent, 10-6-95. See also Shils, 1956: 36 and Galnoor, 1977: 312.).

In an era of enhanced technological communications and ever-present global media, government secrets are forever being revealed. This it is argued has enhanced the accountable nature of the relationship between governance institutions and society. Furthermore, governance institutions themselves recognise that openness can be the basis of their legitimacy and continuing authority. A society's exposure to revelations of secrecy in governance institutions can jeopardise that relationship of authority and legitimacy between the governors and the governed. Misztal reasons that due to the need to be viewed as legitimate the decision-making process is becoming ever more transparent (1996: 255).

The claim that Western society has become more open and governance processes less concealed has been contested. Canetti believes that in modern society, '...secrets are the most concentrated and dangerous that have ever existed...' (1973: 345). Today under conditions of globalisation, secrets often concern everyone as the world becomes smaller and more interconnected. The denial of access to information about the governance process means that those excluded are not only extremely disadvantaged, but they are unable to challenge the legitimacy of authority or participate fully in the political process<sup>19</sup>. To be denied access to information is to lack power, and it is this outcome which fuels the calls for openness. Openness and publicity impose a powerful curb upon the illegitimate use of deliberate secrecy. The next section explores this issue further by examining arguments for and against the use of secrecy in the process of governance.

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<sup>19</sup> A similar point is made by Snow (1961) in which he argues that the most important decisions in society are made by a handful of men, in secret. He documents the case of the Tizard Committee: a group of scientists in Britain whose secret deliberations determined the choice of Britain's military strategy during World War Two. The lack of openness and the degree of secrecy resulted in a number of significant mistakes occurring. The 'euphoria of secrecy' led to mistakes and self-deception.

## *Secrecy and Efficient Governance*

One commentator is outwardly contemptuous of too much openness. Simon Jenkins, in an article entitled 'In Praise of Secrecy', argues that openness in all areas of government would lead to anarchy and paralysis. Government would be at the mercy of the spontaneous whim of the people, thus undermining effective policy-making. Jenkins adopts a pragmatic line and maintains that secrecy is both acceptable and necessary, and should override demands for full accountability. He writes: 'secrecy and openness are opposite extremes. They are thesis and antithesis. In a democracy they require a synthesis' (*The Times*, 2-11-94). In the Introduction I suggested that this synthesis, to use Jenkins' phrase, can only be determined by societal consensus to establish the legitimate use of secrecy. As yet this consensus remains undeveloped when exploring the governance mechanisms of institutions of MGG.

Building a consensus needs a number of factors to be taken into consideration not least the legitimate use of secrecy. For example, open, participatory processes may make governance less predictable and less efficient (Landell-Mills and Serageldin, 1192: 311). At an individual level the keeping and holding of a secret is often portrayed as a mark of one's good character and trustworthiness<sup>20</sup>. Those who can keep a secret may be marked out as individuals who are more worthy of friendship than others<sup>21</sup>. In non-western cultures secrecy can play a positive part in societal relations. For example, in a study of Pueblo society - a North American Indian tribe - secrecy is a dynamic process that serves a variety of functions for the essential maintenance of that society (Brandt, 1980: 125: See also Petersen, 1993 and Piot, 1993). In a study of West African societies, the secret cabal has been allocated a positive function in the

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<sup>20</sup> The attraction of secrets to the individual can be found in its 'position of exception...identity enhancement...of achievement too, of intimacy' (Nisbet, 1980: 105). Equally, the attraction of secrecy might be in its ability to turn the mundane into something considered risky.

<sup>21</sup> Notwithstanding this, an aphorism of Nietzsche with regards to the maintaining of confidentiality of friends' secrets is that 'There will be few, who when they are in want of matter for conversation, do not reveal the more secret affairs of their friends' (1986ed: 139).

running of society, 'where the political elites use the secrecy of the society and the exclusiveness of its temples to discuss sensitive political issues' (Bellman, 1981: 6). This use of secrecy in different cultures highlights the point made in the Introduction about whether the use of secrecy has to be socially determined. The point being that the characterisation of secrecy as negative and mutually exclusive to the norms of society is contradicted by those societies that have utilised secrecy as a positive force in their social institutions.

### *Secrecy and (Im)Morality*

Those in favour of increased openness postulate that to act secretly is to act immorally, that is to act in a way that is contrary to a prescribed set of social norms. It is claimed that one way of conceptualising secrecy is that it is 'a strategy for hiding acts ...which others hold in moral disrepute' (Warren and Laslett, 1977: 44). This moralistic view of secrecy is taken by Jeremy Bentham who believes that not only is transparency necessary for political accountability, it is morally desirable<sup>22</sup> in a progressive, modern society. Bentham believes secrecy to be an obstacle to effective accountability and argues against the use of secrecy due to the increased scope that secrecy offers for unaccountable action by public institutions (Bok, 1982: 171).

More recently, Falk has argued that 'secrecy is the mantle that state and market forces throw over a range of activities which could not easily withstand the impact of moral, political, and legal scrutiny' (Falk, 1995a: 239). Secrecy is one means by which those in power are able to conceal or obfuscate the outcomes of certain activities which, if they became more widely known, would be considered morally reprehensible. To remove this cloak of secrecy, Falk

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<sup>22</sup> The American President Woodrow Wilson argued that government 'if it is pure and correct in its processes it should be absolutely public in everything that affects it' (Wilson in Friedrich, 1972: 181). In practice Wilson failed to live up to his own ideal, taking a more pragmatic view once in power, and engaged in confidential diplomatic negotiations when required (Gutmann and Thompson, 1996).

advocates the deepening and widening of democratic openness, underpinned by the principle of transparency to counter the prevalence of secrecy.

This view of the absolute need for openness is criticised as being a ‘primitive psycholog[ical]’ view of secrecy (Friedrich, 1972: 175). Friedrich believes that secrecy is morally desirable in a democracy as a means of sustaining the necessary elite rule required for securing the national or common interest (Gibb, 1995: 214). He considers secrecy to be dysfunctional only when it becomes excessive, as in an authoritarian or police state<sup>23</sup>. To condemn secrecy outright, as Bentham has done, is too extreme a statement of the dysfunctionality of secrecy and oversimplifies the issues of morality surrounding openness and secrecy (Friedrich, 1972: 181). There exists information that must be kept secret which questions the idea that politics is more accountable just because it is more open. For example, the use of secrecy in a secret ballot would suggest that secrecy is not intrinsically undemocratic (for an elaboration of this point see Chapter 7).

## A Typology of Secrecy

In the discussion above I have focused upon some of the main issues that concern the use of secrecy in the governance process. I will now move on to distinguish four different types of secrecy: institutional; productive; neutral; and functional. This typology provides a means to differentiate between the different ways secrecy is applied and used. Separating secrecy out in this way is not to suggest that different types of secrecy are mutually exclusive or that they do

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<sup>23</sup> It should be noted that Friedrich was writing during the period of the Cold War and as such his analysis needs to be considered in this context of mutual distrust and paranoia about national security.



not overlap, but is instead designed to explore further the issue of how to distinguish between the legitimate and illegitimate use of secrecy.

### *Institutional Secrecy*

The propensity for secrecy in institutions of governance is in part explained by the relationship between bureaucracy and secrecy. The social theorist Max Weber, believes bureaucracy is an inevitable consequence of the shift from traditional to modern societies (1978: 983). The discourse of modernity is based upon reason as the source of progress and knowledge in society (Best and Kellner, 1991: 2). However, this transformation is not without costs. One consequence of rationalisation has been an increase in bureaucracy which it is claimed has 'created one of the most profound sources of tension' in open, accountable societies (Giddens, 1987: 180). On one hand a more accountable form of governance has been made possible only through the mechanisms associated with bureaucratisation. On the other hand, it is suggested that the bureaucratisation of society has led to the replacement of one form of monolithic unaccountable rule (the absolute rule of kings) with another (the absolute rule of bureaucracy)<sup>24</sup>.

A key feature of bureaucratic institutions is the culture of secrecy that exists within them and where secrecy has become the norm. Weber explains this phenomenon in terms of the traditional conception of the relationship between secrecy and power. Secrecy enhances the power of bureaucrats by the exclusion of others and enhances the interests of a small exclusive group. For Weber, secrecy in bureaucratic institutions is a universal phenomenon and 'its power [lies] in its knowledge and experience and in the cloak of secrecy with which it conceals

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<sup>24</sup> Max Weber's primary argument against socialism was that even 'if private capitalism was eliminated the state bureaucracy would rule alone' (Weber in Bottomore, 1985: 26)

its operations' (Beetham, 1985: 72). Members of a bureaucracy pursue their interests through the unique access to information and technical expertise of a small elite (Beetham, 1985: 74). Beetham contends that a 'distinctive source of power lay in knowledge - both technical expertise and more general knowledge ... such knowledge was of no use unless protected by secrecy. Secrecy was its essential concomitant' (1985: 74). Openness is only indulged in with the release of information after the policy has been formulated and is ready for implementation. Even then the background and process are often concealed. A bureaucracy has a unique power base due to its internal cohesion which transcends all other political structures whether they be democratic or authoritarian.

Similarities have been drawn between the way that the bureaucracy of international organisations behaves and that of national polities (Cox and Jacobson, 1973: 16). Cox and Jacobson suggest that institutional secrecy exists in institutions of multilateral global governance and that power and authority is maintained by the ability to keep information concealed (1973: 16). However, a note of caution needs to be struck in that levels of secrecy in bureaucracies are not universal, they vary from institution to institution, so that one might expect to see a difference in levels of secrecy between, for example, the IMF and the World Bank. Furthermore, the function of secrecy in bureaucracy may be about protecting confidentiality and privacy rather than a political strategy designed to restrict access (Hoggart in Pitt and Weiss, 1986: 98).

A variant on institutional secrecy is to be found in the work of Zygmunt Bauman (1993). He challenges the issue of the intentional use of secrecy as intrinsically immoral; Bauman believes that the role of bureaucracy in the 'social production of behaviour' does not necessarily contain an innate force for moral corruption. Secrecy is part of the moral indifference generated by the

rationality of bureaucracy (1996: 264). The key point is that the innate secrecy in bureaucracies is not deliberately intended to deceive or conceal. Instead Bauman argues that 'the struggle over moral issues never takes place, as the moral aspects of actions are not immediately obvious' (1993: 24). In other words, the moral character of action is either concealed or obfuscated by the logic of bureaucratic rationality.

To make his point Bauman uses the example of the bureaucracy in the Nazi Holocaust. These atrocities were organised, co-ordinated and made possible by bureaucrats sitting at desks. In contributing significantly to the death of millions of people, they did so without being directly involved and with limited knowledge of the outcomes of their actions. Bauman uses this example to explain how bureaucracies driven by the rationalisation process results in the taking of 'moral sleeping pills' by the bureaucrats themselves. Thus, the secrecy that is inherent in bureaucracy can be seen neither as immoral nor the overt pursuit of power.

Of course, Bauman is not an apologist for the actions of the Nazis. He is attempting to explain, by taking the extreme instance of the Nazi Holocaust, that whilst moral blindness can be furthered by strategies of secrecy they may not be intentionally morally corrupt. This explanation about the lack of spatial and psychological proximity shaping bureaucrats moral behaviour, or lack of it, can be extended to the institutional secrecy that exists within multilateral global governance. Bauman contends that the further an act is away from our physical and psychological being, the easier it is to carry on without full consideration of the consequences because it 'renders victims psychologically invisible' (1993: 25). The secretariats and bureaucrats within MGG are also necessarily distant from the point where their policies impact directly and so the argument goes do not appreciate the consequences of their actions fully.

Critics of MGG however, would argue that spatial remoteness is precisely why they should be made more accountable. For example, a recent report by the non-government organisation, Christian Aid, entitled *Who Runs the World?*, identified a number of failings in the World Bank which could be ascribed to the problem of 'psychological invisibility'. This includes the tendency for the bureaucracy to look inwards to the needs of the organisation rather than to the people who are directly affected by the organisation's policies. Information is often concealed and there is a general failure to consult the people most affected by the policies (Madeley, Sullivan and Woodroffe, 1994: 72-75).

It can be claimed therefore, that the preponderance of secrecy in the bureaucracy of MGG is something akin to Bauman's moral sleeping pill. These bureaucracies are unable to think beyond the narrow needs and ideological congruity of the organisation. Bauman is more optimistic and sees the possibility of greater global responsibility through increased media and public participation (1990: 184). Critics believe however, that this increased technological proximity may do nothing to enhance either responsibility or accountability within MGG (Agnew and Corbridge: 1995: 215).

In summary, institutional secrecy is an integral part of modernity and the institutions that govern a modern society. In the accountability and MGG debate the implications of institutional secrecy are mixed. From the point of view of Weber, secrecy is inevitable and compromises accountability. From Bauman's perspective the use of secrecy can be ambiguous and difficult to judge morally because secrecy occurs as a natural consequence of bureaucratic rationalisation whilst the consequences of secrecy are compounded by the lack of spatial

proximity between the bureaucrats responsible for implementing policy and those who are affected by it.

### *Productive Secrecy*

The use of productive secrecy is varied and widespread in the governance process. Its main function is to throw a cloak over a particular ideological position by presenting or concealing information that might challenge the authority of an institution. In contrast to institutional secrecy, which is about maintaining institutional norms, the role of productive secrecy is to reinforce a particular ideological viewpoint. The existence of productive secrecy supports the view that more openness associated with the modern world has not necessarily led to a decrease in secrecy.

Cesareo believes that there exists a paradox between the continuing levels of secrecy and the apparent shift towards a more open, information-based society in which information is supposedly more readily available than ever before. Instead Cesareo argues that ‘paradoxically, secrecy is spreading more and more over the information society’ and central to this paradox is the increasing use of productive secrecy (1992: 90-91). Cesareo, believes it is productive because its use is designed to produce an outcome determined by the holders of the information, ‘and [information released] is intended to be destined to *some* people in *some* circumstances for *some* purposes only’ (1992: 90). Elite groups, such as a bureaucracy can use certain information to enhance their power base. Productive secrecy is intended to serve the interests of a particular group or organisation. It is in this sense inherently political and its use underpinned by an ideological preference.

According to Cesareo a primary source of productive secrecy is economic institutions (including multilateral global governance) which actively employ strategies of productive secrecy as a means to pursue their political ends. The strategies used include: releasing only information that will benefit their agenda, determining when and how information is released, and deterring open debate about the validity of information (Cesareo, 1992: 91). The effect of this is to give the appearance of openness, but in reality productive secrecy acts to privilege certain information, diverting attention from the further investigation of the actions of the organisations and the nature and quality of the information released (see also Bok, 1982: 115; Annis, 1990). The logic of productive secrecy means that it is far more difficult to determine what is true, accurate and complete and what is not, and secrecy can be enhanced by a discourse of transparency that does not deliver openness but is part of a process of misinformation.

To recap, the use of productive secrecy suggests a paradox between increased information and increased secrecy. Key to understanding this paradox is the recognition that information is not neutral and so its release may not increase transparency because its ideological purpose and content might be hidden. To paraphrase Cox and change the context: information is always for someone and for some purpose. This means that the production of information can conceal alternatives by the dominant groups in society

### *Neutral Secrecy*

Bok maintains that a neutral understanding of secrecy is necessary to avoid bias when exploring the use of strategies of secrecy (1982: 7-8). She asserts that retaining a neutral definition of secrecy allows us to 'determine what is and is not discreditable by examining particular practices of secrecy' (Bok, 1982: 9). It has been pointed out that 'secrecy can be an

integrating and legitimate basis for rendering social and political decisions in society' (Bellman, 1981: 6). Bellman, suggests that the use of secrecy can be negative or positive, consensual or non-consensual, legitimate or illegitimate (1981: 6). She views secrecy as neither inherently good or bad; rather it is merely a method to conceal information.

*In this context a neutral view of secrecy is one that moves away from the belief that secrecy is, in the main, used as a method of coercion by governments and elite groups. By taking a broader look at the social role of secrecy and the conditions under which it prevails, secrecy may be considered neither illegitimate nor dysfunctional (see Teft, 1980: 319-341). As Bok points out, 'while all deception requires secrecy, all secrecy is not meant to deceive' (1982: 7). A good example of a justifiable and neutral secrecy is in the protection of legitimate privacy and confidentiality.*

Thus there is an important distinction to be made between secrecy (intentional concealment) and privacy ('protection from unwanted access' - Bok, 1982: 10). The right to privacy is premised upon a set of shared norms about what it is and is not acceptable to keep in the private domain<sup>25</sup>. The principle of a right to privacy is often defended by the value attached by liberals to individual freedom and rights. In distinguishing between privacy and secrecy, 'privacy implies the legitimate denial of access, while secrecy in general implies that the denial of access is illegitimate' (Warren and Laslett, 1977: 45). This justification for the legitimate use of secrecy underpinned by privacy and confidentiality can be found in both private and public institutions, including institutions of MGG.

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<sup>25</sup> The extent to which information can be kept private from governments is being increasingly questioned. A recent development has been that of the 'clipper chip' which was originally designed to combat the spread of encryption technology used by terrorists and criminals, but now allows the state to monitor, mobile telephones, fax machines, e-mails and computers. The result is that information previously considered private can now be kept under surveillance by the state.

Other commentators are dubious of the absolute rights of individuals and institutions to privacy and confidentiality because of the potential for private interests to clash with the public interest. It is argued that private interests (particularly when it is unequal or overwhelming) can have a detrimental effect upon the public sphere. This is particularly true when the defence of privacy is used both as a strategy to hide behaviour and to dampen public initiative in investigating behaviour contrary to the public interest. Cesareo points out the danger of defending secrecy in the name of privacy when this then gives rise to the transformation of privacy into a 'strateg[y] of secrecy' (1992: 88). Privacy can conceal information that would be in the public interest. These strategies compromise a 'citizen's right to be informed, to exchange information, and to intervene in decision-making processes' (Cesareo, 1992: 88). There is a danger in defending individual privacy when the legitimate right to privacy is actually a pretext for an illegitimate form of secrecy. As Bok observes, 'we have learnt that much deceit for private gain masquerades as being in the public interest' (1980: 169).

Warren and Lasslett have suggested a solution to the privacy/secrecy dilemma by making a distinction between what they term private-life and public-life secrecy. Public-life secrecy refers to 'secrecy in relation to the institutions of politics [and is] secretive by virtue of [its public] political role' (1977: 47). The value of public-life secrecy is often credited with efficient and effective governance and is discussed in more detail below in the section on functional secrecy. By contrast, private-life secrecy is 'secrecy about one's personal life rather than secrecy in relation to other's political roles' (1977: 47). To put it another way 'public-life secrecy is active and directed at the lives of others, while private-life secrecy is passive and protective of the self' (1980: 30). Private-life secrecy affords some protection against unwanted intrusion into what could legitimately be considered private.



To recap, the need for confidentiality and privacy in some circumstances requires that a neutral definition of secrecy be applied. This gives weight to the argument that secrecy is not necessarily morally undesirable. What is important is determining the intention behind the use of secrecy and the context in which it is used. The defence of privacy is just one such example, whereby concealment can be justified when the intention is to protect the individual or an institution in a legitimate manner from unwanted external exposure.

### *Functional Secrecy*

In an earlier section I outlined the case for secrecy in effective governance. Shils (1972), identifies functional secrecy as both a necessary and vital component of the governance process. Secrecy can be functional when it facilitates actions in governance that would otherwise be more difficult or impossible to achieve without it. For example, Shils identifies secrecy's functional role in encouraging a frank exchange of views amongst political actors, thus increasing the effectiveness of the policy-making process. More controversially, Shils claims the need to retain the co-operation of sectors of society who might become alienated by open discussions and publicity (1956: 25). The official secrets associated with states 'clearly show that a good deal of secrecy is considered functional, and that its breach is dangerous' (Friedrich, 1972: 177). The implication here is that functional secrecy in the governance processes can be a positive good for society and that functional secrecy is usually most effective when the secrecy is respected by all sides.

The reason functional secrecy can be considered legitimate is that publicity, privacy and secrecy in democratic systems are normally in equilibrium (Shils, 1956: 23). Thus functional secrecy becomes acceptable in the governance process because it is balanced by the plural and open nature of the political system that ensures the accountability of those in power (Shils,

1956: 23). Publicity even on those matters that are attempted to be dealt with in secret are vulnerable to the press and interest groups, and once a secret is dispersed amongst the wider population its power is weakened (Canetti, 1973: 344). Publicity about the affairs of governance should be enough to hold institutions accountable without direct public access and participation which may inhibit the governance process. Shils goes as far as to claim that, 'democracy requires the occasional political participation of most of its citizenry some of the time...it could not function if politics and the state of the social order were always on everyone's mind ... representative institutions would be inundated by the swirl of plebiscitary emotions' (1956: 22).

The justification for functional secrecy in public life is taken up by other commentators, such as Friedrich, who attempts to justify the elitist nature of public-life secrecy. He argues that the need for secrecy in democratic systems is so strong that moves to make governance deliberations public would only force decision-making further into the realm of secrecy (1972: 178). Although Friedrich believes that public-life secrecy is not ideal, the consequences of more openness would result in more secrecy as individuals and institutions acted to protect themselves from adversarial forces<sup>26</sup>. This paradox between the individual right to know and the need for secrecy in governance processes is highlighted by Simmel who observes that:

'Every democracy holds publicity to be an intrinsically desirable situation, on the fundamental promise that everyone should know the events and circumstances that concern him, ... [however] if ... there has grown an objective governing structure which embodies [all] interests, the formal autonomy of this structure may very well entitle it to function secretly ... [in] the interests of all' (Simmel 1969: 337).

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<sup>26</sup> Shils and Friedrich were writing in America during the secretive and adversarial climate of the Cold War. However, with the end of the Cold War there is little to suggest things have changed significantly. (See Forsythe, 1992).

Simmel justifies his acceptance of secrecy by claiming that ‘it seems as if ... general affairs become ever-more public, and individual affairs ever-more secret’ (Simmel in Nisbet, 1980: 105). He believes that political practice, bureaucracy and commerce have become more open, whilst the individual has secured a level of anonymity that formerly was only available through spatial isolations, thus justifying functional secrecy (Nisbet, 1980: 105). Critics of functional secrecy assert that, rather than being more open, political, bureaucratic and private commercial affairs are becoming less open. The shift towards the privatisation of public goods, the increasing use of science as a mask, the proliferation of arms sales and the mystification of MGG, is all in conflict with a belief in the increased openness of general affairs (Restivo, 1986; Aftergood, 1992) .

Simmel’s acceptance of the use of functional secrecy is also problematic because it does not confront the problems of purpose, intention and consequences in the use of public-life secrecy. This point is decisive, because as Bok declares, ‘when linked, secrecy and political power are dangerous in the extreme...if this power is exercised in secret, with no accountability to those whom it affects, the invitation to abuse is great.’ (Bok, 1982: 106). By accepting the need for functional secrecy the possibility of abuse increases and ‘only those deceptive practices which can be openly debated and consented to in advance are *justifiable* in a democracy’ (1980: 181).

Thus, if secrecy is to be used by structures of governance, judgements about its use and acceptability can only be arrived at through a democratic process that is inclusive and open (Bok, 1980: 181; Gutmann and Thompson, 1996: 95). Ultimately, if procedures or information are kept secret, it reduces the ability to control those in power and compounds the problem of who controls the controllers. An uncritical acceptance of functional secrecy shows a tendency

to ignore asymmetries of power between the governors and governed. In other words, a functional justification of institutional secrecy may mask the political intent of this type of secrecy. For example, the use of functional secrecy might lead to hiding decisions that have been made in error, or hiding the interests of a particular group, class or individual. Functional secrecy may hide the fact that deliberations are constrained by ideology or may obscure a moral issue. The complexity of a debate and the question of when and if the issue is raised in public can be constrained by functional secrecy. Secrecy defended in the name of efficiency may end up hiding the realities of political power (Bay, 1977: 23).

To summarise, some writers would argue for the positive function of secrecy in the governance process because it enhances the efficiency and effectiveness of governance (See: Shils, 1956: 25 and Friedrich, 1972: 179). This need for secrecy can be balanced by the general principle of openness in society through mechanisms like the media. By contrast, others contend that the acceptance of functional secrecy creates the possibility for the use of secrecy to be extended into a wide range of governance areas. A functional justification of secrecy may mask illegitimate behaviour and make it difficult to be challenged (Bok, 1982: 133). Secrecy may be both necessary and legitimate in certain circumstances. However, the boundaries of secrecy need to be open to public debate otherwise it risks masking other more sinister or productive processes of governance.

**Table 3: A Typology of Secrecy**

<b>Types of Secrecy</b>	<b>Characteristics</b>	<b>Implications for Accountability</b>
<b>Institutional</b>	Secrecy widespread amongst bureaucratic institutions. Inevitable part of modernity. Secrecy is the norm as it enhances power and authority and protects institutions from external challenges.	Institutional secrecy linked to modernity and bureaucracy. Secrecy is a product of institutional rationality. Accountability is informed by the idea of spatial and psychological proximity.
<b>Productive</b>	Designed to produce an outcome, that favours a particular world view through biased information. Ideologically driven to reinforce a particular world viewpoint which denies and masks alternatives. By virtue of emanating from an authoritative body, information goes unchallenged.	Productive secrecy recognises that information is not neutral. Its release may not increase transparency because its ideological purpose may be hidden and thereby obfuscate issues of accountability.
<b>Neutral</b>	Not bounded by ethical considerations. Secrecy a method of concealment. Avoids the bias that the use of secrecy often generates and accepts that secrecy can be both legitimate and illegitimate. Distinction made between private-life and public-life secrecy.	Neutral secrecy used to justify the concealment of information that is considered private or confidential. Neutral secrecy is not a barrier to accountability.
<b>Functional</b>	Pragmatic use of secrecy to enhance the efficiency and effectiveness of the governance process. Particularly useful in sensitive negotiations for maintaining trust. Justified by the benefits of confidentiality to society and respect for authoritative institutions.	Supports the positive function of secrecy in the governance process because it enhances the efficiency and effectiveness of governance. Secrecy is balanced by the general principle of openness in society. However, a functional justification of secrecy may mask illegitimate behaviour and if unchallenged secrecy becomes more widespread in the governance process.

## Secrecy and Multilateral Global Governance

### *Secrecy, Globalisation and the Mystification of Global Governance*

The capacity to conceal information has been identified as a key component of structural power (Warren and Laslett, 1977: 47). For example, the dominant neoliberal economic agenda acts as a structure; it constrains behaviour and excludes from the mainstream agenda alternative forms of economic development. It is in this context that the radical perspective (see Chapter 1) can be applied to examine the function of secrecy in MGG. At the global level, the institutions of MGG act to reinforce the dominant neoliberal structure by limiting economic choices open to states. According to Cox the role of MGG as the institutional power base of global capital is a critical component of maintaining the productive force of capitalist interests (1994: 49).

Secrecy within MGG reinforces the power of the economically dominant groups in society.

Under these conditions the use of secrecy will compound the difficulty of holding multilateral institutions to account.

As outlined in Chapter 1, radicals claim that the institutions of MGG strengthen the ideas and material capabilities of the dominant forces in the world economy. To enhance the authority and regulatory power of institutions of MGG the use of secrecy acts in two ways. Firstly to mystify and obscure the role of these institutions in the governance of the global economy. Secondly to obscure their relations with unofficial non-governmental bodies such as the Trilateral Commission. Cox refers to this network of governance as a *nébuleuse* (1997: 60-61). The mystification of MGG occurs when: 'states willy nilly become effectively accountable to a *nébuleuse* personified as the global economy [states are then] constrained to mystify this external accountability in the eyes and ears of their publics through the new vocabulary of globalisation, interdependence, and competitiveness' (Cox, 1992: 27). It is claimed by Cox that

an awareness of this process by critical social movements is the motivating force behind the calls for greater transparency in the pursuit of accountability in MGG.

The mystification of MGG is reinforced by presentation of globalisation as inevitable which according to Cox leads to the exclusion of alternative perspectives. He believes that the institutions of MGG have been crucial in constructing a world hegemony based upon a transnational liberalism (1996: 136-140). The use of productive secrecy helps to achieve one's material and ideological objectives by hiding information that is detrimental to the aims of the dominant market ideology. This also makes it more difficult for opposition forces to challenge the institutions of MGG directly. To merely advocate the reform of MGG in the way that commentators who come under the neoliberal-institutionalist label have done is insufficient (see Chapter 1). It is necessary to understand the capacity of secrecy to perpetuate the framework and structures within which political activity takes place and the limits it places upon change (Cox, 1995: 32).

From this perspective secrecy within MGG acts to reinforce the myth of globalisation (see Chapter 1) by marginalising alternative discourses and leaving only one dominant perspective - the ideology of the market. Through the use of secrecy, MGG are able to defend themselves against popular criticism and stifle opposition. In this way secrecy enables the institutions to implement policies for which they remain largely unaccountable. The key role of institutions of MGG in the spread of global capitalism has been identified by Koc who argues that they 'define and determine the rules of conduct ... in a highly elitist fashion with a group of experts and negotiators, often in ideological congruity with transnational corporate interests' (1994: 275).

Thus secrecy acts to conceal the social and political implications of the policies ‘...to the extent that secrecy denies social actors information which might reveal that they are exploited or manipulated by others’ (Teft, 1980: 67). It becomes the method of achieving one’s goals without the threat of bringing the dominant set of policy objectives under public scrutiny. Acting in the interests of global capital, MGG makes it likely that both the conditions and motivation for secrecy continue. In the case studies these issues will be examined in more depth to see whether there is any empirical evidence to support the claim that a variety of types secrecy is utilised by MGG in the pursuit of ideological congruity or denial of alternatives.

### *Secrecy and the Reform of Multilateral Global Governance*

Underpinning concerns about the reform of MGG is a desire amongst some critics to see that these institutions reform, adopt the principles of good governance and enhance co-operation amongst members (see Chapters 1 and 3). As already indicated, the institutions of MGG are a primary location for the existence of institutional secrecy. Commenting upon the World Bank, Brautigam argues however, that a lack of openness can be due to bureaucratic weaknesses in procedures or a lack of capacity rather than a ‘conscious decision to restrict access’ (1991: 22; 1992: 13). From this point of view secrecy is essentially unintentional and merely requires the reform of MGG and the introduction of policies designed to assist transparency. It is this belief that has fuelled the discourse of transparency that has become so prevalent in the 1990s amongst many commentators (see Report of the Commission on Global Governance, 1995; Keohane, 1998). Reflecting the liberal-institutionalist view of the world it is suggested that secrecy can be reduced to a technical problem and that a problem-solving approach can be introduced to make institutions of MGG more accountable. For example, the World Bank has introduced an inspection panel to scrutinise complaints made against the Bank and ensure greater transparency in Bank proceedings (see Chapter 6).



Another reason suggested for the perpetuation of institutional secrecy in MGG is the spatial distance between bureaucracy and the people affected by it. One way of dealing with the problem of the lack of physical and spatial proximity by the World Bank would be for it to take responsibility for development projects out of the hands of the bureaucrats and devolve power to the local level<sup>27</sup>. Cesareo argues that issues concerning secrecy have traditionally been debated 'at the individual and domestic level' (1992; 89). More recently there has been a tendency for people to attempt, 'exerting from the bottom, an active influence over [global] institutions' (1992: 89). Secrecy in international organisations conceals problems (including uneven development, loan conditionality, structural adjustment programmes and environmental degradation) and this position has led to increased calls for greater transparency in international organisations (Beck, 1992: 183). As Cesareo observes, secrecy must be attacked and defeated to support intervention from the bottom in social and decision-making processes' (1992: 90). If it is to mean anything, accountability requires that debates take place before decisions are made and not afterwards, in order that policies can be evaluated and opposed. By moving to a form of substantive transparency and 'opening up the political' it minimises the risks of institutional secrecy and allows the consent of the governed (Beck 1992: 183).

The problem of spatial proximity would appear to suggest that accountability in governance based upon anything other than the local level is impossible because we are unable to relate sympathetically or morally to those beyond our immediate proximity<sup>28</sup>. This idea is contested by Hoffman who argues that democracy can be 'coherently grasped only as a concept which resists spatial and temporal constraints... its emphasis upon popular empowerment is at once

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<sup>27</sup> Direct action is argued to be becoming more prevalent because the political process has become remote and people feel excluded from the decision-making process. Two examples of direct action in opposition to World Bank projects are those of the Chipko activist and Narmanda Dam (see Agnew and Corbridge, 1995: 219 and Kothari, 1994).

<sup>28</sup> On a micro level the spatial proximity model appears flawed because secrets are common amongst those who know each other and are in close proximity.

local, regional, national and global...' (1995: 196). In other words, Hoffman rejects the idea that institutions can only be accountable at a local level. What really needs to happen is for MGG to break free of its close association with national and local democracy and embrace a cosmopolitan conception of democracy (see Chapter 1). One way in which it has been suggested this can be achieved is by reconstituting the current institutions of MGG into a new cosmopolitan order (Held, 1992: 46).

### *Multilateral Global Governance and the Efficacy of Secrecy*

Earlier in the chapter, I discussed the role of functional secrecy as a necessary part of effective governance. The legitimacy of functional secrecy in the governance process is supported by Luard who believes that MGG is essentially inefficient because there is too much publicity (1990: 180). This is reinforced by those who believe that 'open, participatory processes may make governance less predictable and less efficient (Landell-Mills and Serageldin, 1992: 311). The use of functional secrecy would enhance the effectiveness, and hence the good, these institutions could achieve. Luard makes a distinction between deliberative and decision-making institutions and labels international bodies as being essentially deliberative in nature with the political process well publicised. He believes that international organisations are in danger of becoming too transparent to be effective (1990:180). The implication of Luard's analysis is that too much openness will lead to global institutions being less effective and undermining their role in the regulation of the world.

According to Luard, the consequence of global institutions being essentially deliberative is that the outcome of negotiations is essentially flawed. Participants, aware of the publicity, are forced to reach an agreement that will be popular with their domestic audience as opposed to

the good of the global community (1990: 180). This is the justification the G-7 often claims for its use of secrecy where confidentiality of negotiations acts as a source of increased effectiveness and efficiency in decision-making (for a longer discussion of this see Chapter 5). In this way the secrecy that comes with maintaining confidentiality is presented as a benefit to those who have been excluded.

Arguing for improvement in the effectiveness of international organisations, Luard wants to place limits upon the extent to which these institutions are open and transparent. The need for functional secrecy to enhance decision making is reflected by the actions of institutions of MGG which continue to resist openness at the global level, and which can often exclude interest groups altogether. For example, in a recent round of trade negotiation by the World Trade Organisation denial of access to NGOs was justified on grounds of efficiency. It was observed that, 'allowing the greens in could thwart liberalisation by opening the door to farmers and all kinds of lobbies opposed to free trade' (Financial Times, 5-1-95). This defence of functional secrecy and denial of access to non-governmental organisations is premised upon the belief that these groups would undermine the decision-making process. However, this pragmatic use of exclusion leaves unchallenged the ideological orthodoxy of global free-trade.

In Chapter 1, I argued from a state-centred perspective that the idea of public accountability in MGG is constrained by the continuing authority of the state in the governance process which leads to the exclusion of non-state actors. The secrecy that continues to exist in institutions of MGG simply reflects patterns of secrecy that exists as a part of the legitimate right to govern. Secrecy remains prominent in international organisations because these organisations reflect national interests at the international level. The continuing existence of secrecy remains a part

of what has been described as the ‘deep structure of the sovereign state [which is reflected in] a state-centred and sovereignty centred model of international politics’ (Hoffman, 1995: 211).

Whereas political realists would maintain that institutions of MGG are merely extensions of the national to the global level critics have argued that the right to keep secrets should never be delegated without guarantees of accountability (Archer, 1992: 78; Cox, 1975: 1). Restivo believes, ‘...[the] secrecy debate has been carried out in a social and political context that implicitly and explicitly places the national interest, national security, and the interests of elite professionals above the public interest and the values of participatory democracy’ (1986: 80). A cosmopolitan perspective contests the state-centred perspective not least because institutions of multilateral global governance exist independently of state actors. Moreover, the claim that secrecy is in the national interest is less plausible in a world characterised by the globalisation of political authority through the internationalisation of the state. It is difficult to make the case that secrecy is in the national interest, if this self-same secrecy is then reflected at the global level over global issues which transcends national interests.

## Conclusion

*Secrecy is a ubiquitous and sometimes necessary part of social relations. To appreciate the implications of this requires reflection upon the uses and abuses of secrecy. The existence of secrecy in MGG is not necessarily a cause for concern in governance institutions and this is supported by those who advocate the use of functional and neutral secrecy. However secrecy also allows for the possibility of political processes remaining hidden and unaccountable from the wider public, reinforcing vested interests and undermining public accountability. Hence the title of this chapter suggesting the inherent ambiguity that surrounds the use of secrecy. It is*

therefore unsurprising that the issues surrounding the more general use of secrecy are also very evident and relevant to the discussion of governance at the global level. In analysing the use of secrecy it is necessary to say something about the type of secrecy being applied. If it is institutional and productive then it can be seen to undermine public accountability. If it is neutral and functional it need not threaten public accountability.

## Chapter Three

### The Limits of Transparency

In the debate over the accountability of multilateral global governance (MGG) a discourse of transparency has emerged as the *cause célèbre*. Underpinning this discourse is the belief that ‘transparency is the source of legitimacy and secrecy the source of disaffection’ in the governance process (Gaonker and McCarthy, 1994: 558; Lodge, 1994). Critics of secrecy in the governance process believe that it compromises both accountability and meaningful participation, as well as enhancing the interests of particular parties, whilst excluding others that are more directly affected by the contents of the secret (Bobbio, 1987: 34; Falk, 1995a: 239).

In view of this claim, what, if anything, can the discourse and practice of transparency do to enhance openness, participation and accountability in institutions of multilateral global governance? This chapter aims to explore both the possibilities and limits of transparency to see what impact it might have for accountability in MGG. It is widely recognised that openness is one of the necessary requirements for accountable governance (Gaonker & McCarthy, 1994: 556; Beetham and Boyle, 1995: 62). Important areas to examine are different types of transparency, its sources in technological development, democratic and economic theory and whether it is adequate as a source of accountability in MGG. I argue that the increased use of transparency requires a greater analytical understanding of this concept to assess its uses and

abuses. This involves taking into account a number of factors not least the limits, if any, to transparency in the political process.

Interestingly, the discourse of transparency has found supporters amongst both critics and advocates of the multilateral global governance<sup>29</sup>. Within this apparent universal approval of transparency different interpretations and applications have arisen with variations that have become applied in a number of different ways. Consequently, transparency has become a manifest but imprecise term with several distinct meanings that need exploring. The guiding questions are: What is understood by the idea of transparency? What are the limits to transparency and how do these limits, if at all, have consequences for accountability in MGG?

The chapter begins by exploring the proliferation of the discourse of transparency and questions whether we can regard the present era as the ‘age of transparency’. This discourse is explored further by looking at the relationship between transparency and good governance. The second section assesses the work of Norberto Bobbio, who has claimed that, without full and universal transparency, accountable governance will remain a myth. This is followed by a discussion of the limits of transparency. The final section introduces a typology of transparency to distinguish different interpretations. They include: internal transparency, external transparency, transparency from above and transparency from below.

## **The Proliferating Discourse of Transparency**

The trend towards the production of a discourse of transparency embraces a wider political framework than just MGG. Mark Brender claims that society has reached the point where ‘we’re entering an age of transparency’ (The Observer, 30-6-96). In this article Brender

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<sup>29</sup> The term has also gained widespread use at the national and local levels of government and within the public and private sectors.

suggests the 'age of transparency' signifies something qualitatively different from previous periods in history. This age is characterised as being one where institutions of governance and authoritative power structures are no longer able to remain hidden and free from public surveillance. Due to developments in technology, the public has greater access to information and those in a position of power are placed in a more visible position and thereby forced to become more accountable for their actions. The age of transparency suggests a trend towards greater economic and political openness to include plural political processes, increased access to information, more meaningful participation and the increased accountability of political institutions (Sandström, 1994: 33). The use of secrecy becomes less rational in the governance process as transparency becomes the norm as governance institutions engage in wilful disclosure (Florini, 1998: 53).

One consequence has been the emergence of a discourse of transparency operating within a diverse range of both MGG and non-government organisations. The latter include citizen groups and individuals concerned with the activities of MGG (see for example, the Christian Aid campaign entitled 'Who Runs The World?', 1994). These groups believe that there is a need for greater accountability within multilateral institutions and for decision-making processes to become more transparent. It has been suggested that one way this objective could be achieved is through increasing access to information and participation by NGOs in the policy-making process (Boughten and Lateef, 1995: 5). Increased transparency is justified on two counts, firstly, those most affected by the policies of MGG need knowledge of these policies to be able to challenge and oppose them if necessary. Secondly, that increased transparency would result in a more effective form of governance through increased institutional legitimacy.



An enthusiasm for the discourse of transparency has spread to the institutions of MGG. Even the IMF (often cited as one of the most secretive of global institutions) has subscribed to the call for more openness. Official IMF sources have indicated support for the 'desirability of encouraging more transparency to the public with respect to Fund policies and operations, and the data on which they are based' (IMF Annual Report, 1995: 39). The declared intention of more openness within the institutions of MGG is challenged by critics who maintain that there appears to be a discrepancy between the rhetoric and reality of transparency.

The majority of international organisations, although supporting the discourse of transparency, have failed to apply the same principles to their institutional practice (Gerster, 1993: 87). Institutions of MGG have learnt the value of 'talking up' the need for greater transparency, but it is neither clear what this means in practice or apparent whether accountability has been enhanced by this process. The relative merits and failings of the discourse of transparency will now be examined by placing the debate in the context of the idea of 'good governance'.

### *Good Governance, Accountability and Transparency*

The issue of good governance has emerged during the 1990s as a central component of the language and public policy objectives of MGG. Many multilateral institutions believe it is their responsibility to foster the principles of good governance - accountability, transparency and participation - amongst aid recipient countries (Landell-Mills and Serageldin, 1992: 316). The background to this new policy agenda has been the end of the Cold War and what some believe to be the triumph of liberal democracy over competing ideologies (Fukuyama, 1992). The principles of good governance are also reflected in the Universal Declaration of Human Rights, adopted by the United Nations in 1948. In Article 21 it calls for those that govern to be acceptable and transparent in their political practices. Article 19 claims the 'ready availability

of information ... will permit accountability to be practiced ... [and] markets to function'

(Landell-Mills and Serageldin, 1992: 306).

Underpinning the logic of good governance principles is a belief that they serve a dual role:

Firstly, providing the best conditions for markets to operate under. This requires access to information to enhance efficient and effective operation of the market by producing trust and confidence (Archer, 1994: 8). Secondly, to enhance the public accountability of governance institutions that reflects the principles of good governance, 'the good governance approach ... suggests that the markets' requirements...promote and reinforce equitable and accountable government' (Archer, 1994: 19). Transparency is portrayed as a positive requirement for good governance enhancing both economic development and political legitimacy.

However, critics believe that what is required is the application of the principles of good governance to the multilateral institutions themselves (Gerster, 1994: 94). It is argued that the emphasis needs to shift to assert the principle of wider public accountability over the expansion of powerful economic forces and the institutions that facilitate this process (Falk, 1995a: 236-239). The benefits of transparency and open access to information for global markets are claimed to be manifest by the neoliberal orthodoxy. At the same time, however, political power and wealth have become increasingly concealed and characterised as concentrated, exclusive and global in character (Hurrell and Woods, 1995: 447; Tanzer, 1995: 12).

As a consequence critics of MGG argue that the process and policy outcomes of these institutions should be open and transparent (Putzel, 1996: 1). In both the International Monetary Fund and the World Bank, critics assert that the levels of accountability, transparency and participation challenge their adherence to the principles of good governance

(Gerster, 1993, 87). In part this can be explained due to the IMF and World Bank's version of good governance being 'an apolitical concept of democracy [with] accountability, transparency, and competitive efficiency, mere technical correlates of [economic] policy reform' (Ake, 1995: 40). This view is reinforced by Landell-Mills and Serageldin who claim that accountability in public bodies can be achieved through improved technical management and skills acquisition (1992: 307). The effect of making accountability and transparency a technical as opposed to ideological or political problem is that it dilutes the effectiveness of the principles of good governance as a source of public accountability in MGG.

This means that it is questionable whether the principles of good governance present the possibility of increased accountability. For example, Richard Falk reasons that there is an inherent tension between economic globalisation and a more accountable form of MGG due to the latter promoting the interests of global capital above other groups (1995b: 563). From this perspective the discourse of transparency becomes co-opted by markets forces and eventually becomes part of the free-market mantra of 'privatisation, marketisation and globalisation'. Ultimately this means that the idea of transparency as a source of public accountability loses its political content. Critics postulate that the primary motivation for the principles of good governance appear to be for the benefit of markets and elite interests whilst its application in MGG remains limited (Gerster, 1994: 94; Guhan, 1998: 190).

Others believe that the principles of good governance still hold out the possibility of challenging the traditional state-centred conception of MGG. This would require institutions which are accountable beyond the narrow confines of its members. A new governance relationship would 'displac[e] the traditional view of separate relations between [institutions of MGG] and the member state, and between the member state and the public' (Gerster, 1994: 94). This

conception of governance suggests a wider understanding of the term that stretches beyond the economic realm to include issues of political governance and MGG.

By extending the principles of good governance from the state level to global institutions the concept of good governance can be utilised as an analytical device to distinguish between the way MGG institutions should behave and the way they do behave (Brautigam, 1991: 5). Both good governance and transparency appear to be intrinsically linked with 'accountability a fundamental demand in the quest for good governance' and transparency a fundamental for effective public accountability (Gerster, 1993: 87; Brautigam, 1991).

### *Transparency and Access to Information*

Access to information is crucial for accountability because for consent of the governed to be meaningful it needs to be informed (Chapman, 1987: 11; Landell-Mills and Serageldin, 1992: 315; Brautigam, 1992: 12). The link between accountability, transparency and access to information is reflected in The United Nations Declaration of Human Rights, which includes a section that makes clear that access to information should be a basic right for all people (Gaer, 1996: 52-53). It is this point that the critics of MGG have seized upon to make their point about what they consider to be unnecessary secrecy and restricted access to the governance process in MGG.

The control of access to information has been recognised as a key component in the production of unequal social relations with a close relationship between controlling access to information and power (Wilson, 1984: 17). The function of transparency becomes decisive in countering excessive power and increased accountability. Without transparency decision-makers cannot be

held accountable, without public knowledge their decisions and the information on which they are based are more difficult to judge.

A good example of an organisation of MGG restricting public access to information is the IMF which has been accused of using secrecy to shield its decisions from public view (Gerster, 1994: 98). One means, critics argue, to counter this institutional secrecy is to establish a 'right to access' which would include an element of compulsion in making information available to interested parties. This would require the World Bank and IMF to make public the conditions for loans prior to the decisions being made; and interested parties would not be excluded from the decisions being taken by MGG that may have direct implications for them.

Thus, what is often called the 'Information Age' presents the prospects for a more accountable form of MGG. It is argued that the rapid development and diffusion of new information technology diminish the power of states and state institutions (Camilleri and Falk, 1992: 5). From this perspective technology has an emancipatory quality by increasing access to information and restricting the potential for concealment and empowering non-government organisations (Hewitt, 1998: 83). The extent however, to which technological advances have 'opened up' the institutions of MGG remain to be seen with some commentators claiming that the access given to information is tainted by being superficial, selective and biased (Udall, 1994a: 147-8; Cesareo, 1992).

### *Transparency and Participation*

Another dimension to transparency is its scope to enhance participation which is another important component of accountability. Transparency and access to information facilitate participation in the political process, which in turn enhances accountability. One of the primary

criticisms made about MGG is that they have too narrow a conception of participation, usually restricted to inter-governmental representation and appointed bureaucrats (Beetham and Boyle, 1995: 130).

Critics of limited participation observe that, without active local participation, decisions can be imposed from above, often to the detriment of those concerned (Gerster, 1994: 99). Those in favour of increasing participation assert that the exclusion of groups not only risks inefficiency but also feeds institutional secrecy (see Chapter 2). Allowing increased participation by NGOs would contribute to the effectiveness of policy dialogue, the programme design and the consultations that occur between MGG and national governments (Gerster, 1994: 99).

Interestingly some institutions of MGG are encouraging NGO participation in the belief that it will increase the effectiveness of policies and reinforce their legitimacy (Weiss and Gordenker, 1996; Bradlow and Grossman, 1996: 41). For example, in a range of World Conferences organised by the United Nations between 1990 and 1996 it was recognised that the conferences needed to draw on the support of a wide sector of society and that NGO participation was essential to this process (United Nations, 1997: 8).

However there are risks in increased participation, not least in that certain groups might dominate the political agenda to their advantage. NGOs might undermine the authority of those institutions that have been created to take responsibility for policy decisions (Birch, 1993: 86). A denial of participation and access to information can be justified by the authority of institutions as representatives of the common good over sectional interests. In MGG participation is often presented as problematic due to participation being either not practical at the global level or that the state-centred nature of world politics precludes non-state participation (Lee, 1995: 146). Compounding this continuing separation of the global sphere

from the national sphere is the unwillingness of some multilateral institutions to engage directly with groups other than states (Bradlow and Grossman, 1996: 41). For example, the IMF contends that it would be inappropriate to have non-members (i.e. any group other than a state representative) participating in its organisation. Because of this there remains an ingrained opposition to wider participation amongst many of the multilateral forms of governance (see Chapter 1).

Within the concept of transparency, however, remains the possibility of a more expansive form of participation in the decision-making process. Greater participation would reflect an inclusive, plural and participatory framework that might accommodate a diversity of interests. In this way it is believed that institutions of MGG might move beyond the rhetoric of transparency to a more substantive transparency (Madeley, Sullivan & Woodroffe 1994: 72-73; Watkins, 1995: 218-219).

## **Noberto Bobbio and Transparency**

Openness and transparency play a key role in the pursuit of legitimacy by governance institutions. By making explicit their objectives it helps these institutions create an environment of trust which legitimises their activities and makes policy implementation easier (Misztal, 1996: 245). However, as discussed in Chapter 2, secrecy is also a legitimate part of the governing process. In view of this an important question is: given practices of secrecy, are policies of transparency adequate for creating trust between those that govern and those that are governed? This question has been addressed by Noberto Bobbio who is sceptical about the validity of the relationship between the governors and the governed based upon trust over practices of secrecy. Bobbio believes that one of the things desired most in the governance process should be to make, ‘... power visible ...’ (1995: 36). He claims that only when power is

visible can it be accountable and participation be made meaningful. We cannot rely on governing institutions to establish this visibility because, as Bobbio explains in his advocacy of openness: ‘the natural tendency of power - of every form of power - [is] to hide itself, either by not declaring its intentions in public or by lying about them...or by masking (and camouflaging) itself’ (1995: 36). Bobbio argues that the principle of visibility is a revolutionary one because it challenges the secrecy inherent in power. Transparency enhances accountability and produces an environment that is opposed to secrecy and exclusion<sup>30</sup>. Due to the emphasis Bobbio places upon transparency, I want to examine his view of openness and transparency to see what it may contribute to the debate about accountability in MGG.

In *The Future of Democracy* Bobbio asks the question, “Who controls the controllers?” (1987: 34). He reasons that for governance to be accountable it requires the ‘elimination of invisible power’ and the end of the tendency of those in power to hide and conceal information and obfuscate their political practices<sup>31</sup>. According to Bobbio, hidden power is just one of a number of other constraints on effective accountability that have become the ‘broken promises’ of democracy<sup>32</sup>. He argues that openness and accountability are conditional upon one another and that the trust placed in accountable political systems is ‘based upon the conviction that accountable government could finally bring about both the transparency of power and its public accountability’ (Bobbio, 1987: 33-34). In imposing this basic requirement on political systems, Bobbio provides a justification for openness and transparency in the democratic process, and a denunciation of the use of secrecy.

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<sup>30</sup> Bobbio cites three primary forms of “invisible power”: “sottogoverno,” the government’s control of the economy; “cryptogovernment,” the covert paramilitary and intelligence operations of the state; and “all seeing power, the states technological “Panopticon”... all three work in modern democracies to counter the idea of visible power and control from below (Turits, 1989: 59).

<sup>31</sup> Bobbio has included three basic prerequisites of democracy: ‘participation (or collective and general involvement) ... control from below (on the basis of the principle that all power not controlled tends to be abused) ... and freedom of dissent’. (Cohen & Arato, 1992: 166).

<sup>32</sup> The others are ‘the promise of popular sovereignty’; ‘the emergence of a pluralistic society’; ‘individual’s competence in the face of ever more complex questions’; ‘education for citizenship’; ‘the persistence of oligarchic power’; ‘limited democratic space’. (See: Zolo, 1992: 102-104).



The problem for Bobbio is that the obfuscation of power is a natural characteristic of all political systems because 'power does not exist without *arcana* and because transparency and complete openness renders [one power] vulnerable to other, antagonistic, powers' (Zolo, 1992: 42). Contained within this is a belief that secrecy exists as a natural consequence of power and authority. At first it appears Bobbio suggests that it is inevitable that elite groups will dominate and that power will be exerted top-down: it is 'politics conceived as a sheer subjective contest of power per se' (Anderson, 1992: 107). Bobbio's critique of democracy shows 'how political realism can be successfully disassociated from its conservative tradition' (Zolo, 1992: 105). He does this by accepting the nature of realist power politics, whilst also amassing a critique of representative democracy based upon its 'broken promises'. Thus, Bobbio accepts the premise of the realist nature of power but does not accept its outcomes which must be challenged.

Bobbio's analysis has something to offer the discussion about accountability in MGG. He believes that in accountable institutions and political systems 'publicity... is the rule, secrecy the exception' (1989: 81). Bobbio draws upon the work of Carl Schmitt<sup>33</sup> who makes clear the nature of the symbiotic relationship between accountability and visible power: '[accountability] can only proceed in the public sphere. There is no [accountability] which takes place in secret...' (Schmitt quoted in Bobbio, 1987: 82). For Bobbio, the possibility of eradicating invisible power is determined by the degree of 'openness of government, and the "publicity" of the political system' (Bobbio, 1987: 94). Although visibility on its own will not necessarily eradicate malpractice, it will undermine the governing bodies' legitimacy and put pressure on them to change. Although Bobbio identifies what he considers to be the illegitimate use of secrecy, he fails to differentiate between cases when the decision-making process is open and transparent and those cases when they are not (see case study evidence). By universally

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<sup>33</sup> Schmitt is a controversial character due to accusations that his critique of parliamentary democracy in the Weimar republic lent support to the ideas of authoritarian rule. (See introduction to Schmitt, 1976)

rejecting secrecy, Bobbio fails to take into account circumstances where secrecy might be legitimate.

The problem of invisible power is exacerbated when it is concentrated within over centralised institutions at the global level where power is concentrated in a few key institutions like the IMF and the World Bank. To counter the problem of over-centralisation Bobbio advocates a principle of devolved power, because 'the closer power is physically, the more visible it is.' (Bobbio, 1987: 82). This idea is reflected by those who view the participation of NGOs in the policy making process of MGG as essential for improving accountability in public policy (Ekins, 1992: 67). Increased participation would contribute to reducing secrecy and the difficulties associated with spatial proximity identified in Chapter 2.

Bobbio acknowledges that just because power becomes fragmented or devolved, secrecy will not cease in its political practices. It is not enough to shift power from the global to the national or local levels because similar problems will remain. What is required is a democratic approach that can overcome the limitations of elite power at any level. For Bobbio, the prospects for a transparent and accountable system, be it at the local, national or supranational level, is dependant upon democratisation of all social life through 'expanding the space of democratic decision-making and exploiting the potential of pluralism' (Cohen & Arato, 1992: 171). Bobbio, with his conception of realist power politics, sees the potential for democracy to fragment the concentration of power in society.

In summary, Bobbio has helped inform the debate about transparency by highlighting the ubiquitous nature of secrecy, its importance to the governance process and the difficulties of

overcoming it. However, in advocating a universal form of transparency Bobbio ignores the limits of transparency and the diverse way in which it has been applied.

## The Limits of Transparency

The argument in favour of transparency can be constrained by other considerations and its limits are best illustrated by an example: Transparency International (TI), is an organisation (in this case a non-government organisation) established to fight corruption and secrecy and improve accountability in governments and commercial operations. This organisation might be expected to fulfil expectations of full and open transparency in its workings and practices. However, it is more effective in its aims because it has undertaken its negotiations behind closed doors<sup>34</sup>. Once these have been concluded, the results are released for public consumption. By limiting access in the early stages of its negotiations TI increased transparency in the longer term. By placing limits on transparency the NGO enabled 'a wide range of participants...[to] take action outside of the glare of publicity' (Dias, 1994: 57). This pragmatic approach illustrates that transparency can be conditional on other factors.

In this example the limits of transparency and access to information were circumscribed by a belief that the most beneficial outcome - less corruption - would be derived from confidential proceedings. Here the rationale behind limiting transparency is one of promoting an environment of trust and co-operation in which the issue of corruption can be addressed out of the glare of public attention. Trust is enhanced by limiting the degree of transparency and access without undermining the legitimacy of the organisation. This view is premised upon the belief that a policy or negotiations are justly secret if publicity would undermine their intention.

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<sup>34</sup> Based in Germany, its primary aim is to reduce corruption in governments, international companies and institutions. Contact details can be found in Owen, 1996: 243. One further point of interest is that it was founded by former World Bank employees, which may go some way to explaining its view of transparency considering the criticisms made of World Bank secrecy - see Chapter 6.

Why should anyone object when the aim of limiting transparency is to produce a beneficial outcome which would be compromised by publicity and too much access (Gutmann and Thomson, 1996: 102).

The example raises questions about the possibility of transparency as a means of achieving substantive change to the governance of the global economic and political system when secrecy is often considered a valuable part of the decision-making process. This illustrates how a particular perspective on transparency can place limits upon a more expansive view of it. Despite the clamour amongst critics and advocates alike for transparency, its use continues to be surrounded by ambiguities and tensions.

## A Typology of Transparency

Because transparency has been presented as a solution to the lack of accountability it requires that the different types of transparency that exist be elaborated upon and a distinction made between its different uses. To explore further the limits and possibilities of transparency I will develop a typology to illuminate different ways in which transparency can be applied in the debate about accountability in MGG. The discussion so far has highlighted two key points. Firstly, that accountability requires openness and secondly, that transparency, the means to increased openness, is circumscribed and limited by other factors.

In the typology I will demonstrate how the meaning of transparency ranges from a narrow conception (internal and external transparency) to a broad all embracing view (bottom-up transparency). Transparency can have different meanings, something that has been acknowledged in the belief that as a concept, it has been ‘tailored to specific interests, [and] practiced to varying degrees...’ (United Nations, 1992: 4). This illustrates that the idea and

application of transparency have not been constant, they have been adapted and changed so that interpretations of transparency are neither fixed nor mutually exclusive.

The typology highlights that the discourse of transparency is not necessarily neutral, and depending upon what use is assumed, can form an important component of power relations. By looking at different types of transparency one can begin to understand how transparency can be used not only as an emancipatory force in the way Bobbio understands it, but also as a strategy of power, an ideological device, that whilst promising increased accountability can conceal and reinforce dominant relations of power.

### *Internal Transparency*

Internal transparency represents a constrained and narrow view of openness. It refers specifically to internal decision-making and openness within institutions. The aim is to facilitate decision-making, increasing efficiency and effectiveness by including only a limited number in that process. It is closely linked to the idea of bureaucratic secrecy and the need to generate internal cohesion by excluding external pressures. The role of internal transparency is to challenge the internal secrecy of institutions (Teft, 1980: 327).

In the context of institutional practice this is transparency *within* institutions and is not intended to be a part of a wider participatory idea of accountability<sup>35</sup>. Internal transparency, according to the Organisation for Economic Co-operation and Development (OECD), is concerned with the quality and completeness information available only to decision-makers (OECD, 1983: 10). Essential for understanding internal transparency is the principle of representation, whereby the

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<sup>35</sup> However, the extent to which an internal form of transparency is open even to the limited degree is disputed. The Secretary General of the UN Secretariat has complained that co-ordination between the specialist agencies of the UN is problematic. They are unwilling to share information and policy decisions: 'the financial institutions [the World Bank, IMF] have worked at cross purposes with other UN offices...even as they have pursued common objectives' (Perez de Cuellar, 1995: 151).

authority of decision-making is entrusted to a small group of representatives or bureaucrats considered to have specialist knowledge and who are best placed to make decisions. For example, at the 1995 Conference on Disarmament (see Chapter 7 for more details), internal transparency played an important role in facilitating the extension of the Non-Proliferation Treaty (Welsh, 1995: 2).

The justification for limiting transparency to this internal form is based upon a traditional concept of representation and authority that is embodied within representative democracy, whereby responsibility is delegated and legitimised by the political system. The legitimacy is sustained by two key assumptions. Firstly, that as elected or appointed representatives they are legitimately placed to make decisions without further consultation. Secondly, the limits of internal transparency are justified through the argument that there is information that the public just does not need to know. This is because it is of no interest, or because it is too complex to understand, or it is too sensitive for wider distribution and its release would put at risk a greater good. The practice of internal transparency confers authority upon a small group who are informed and able to assess the arguments, with representatives acting as ‘trustees of the public interest’ (Birch, 1993: 70). As a consequence, critics argue that ‘decisions [are] ... made outside the confines of national politics, in a highly elitist fashion...’ (Koc, 1994: 275).

Notwithstanding this, the assumption that internal transparency will dominate the political process within institutions at the expense of increased access and transparency has been challenged. A case can be made that because information will ultimately come into the public domain internal transparency has a limited impact on public accountability. For example, the World Bank is both the subject and source of various publications and issues a regular series of policy research papers as well as a quarterly publication, whilst the IMF’s activities are

reported in its publication, *IMF Survey*. This official information is supplemented by information from non-government organisations, and news agencies and the actions of these institutions can be checked. For example, during the 1990s there have been a number of reports issued by interest groups criticising the activities and policies of MGG (see Friends of the Earth, 1994; Catholic Institute for International Affairs, 1994a, 1994b).

In summary, internal transparency is narrowly conceived. It represents accountability within institutions and excludes wider access and participation. Advocates would argue that it performs an important function within institutions, helping them to operate more effectively and efficiently. In the pursuit of increased public accountability, its usefulness is limited because it fails to challenge the secrecy within MGG. Internal transparency presents a possible answer to the paradox over the existence of a discourse of transparency and the continuation of secrecy. The two can co-exist when limits are placed upon the extent to which the principle of transparency is applied.

## *External Transparency*

Aware of the criticism of secrecy made against them, many institutions of MGG have attempted to counter such charges by increasing access to information. I have called this shift *external transparency* '[referring] to the information available to the general public' (OECD, 1983: 10). The move towards external transparency is underpinned by a belief that access to information is a fundamental requirement to ensure the legitimacy of institutions through increased accountability.

The credibility of external transparency as a means of enhancing accountability and representation is based around the debate over the 'right to know' versus the 'right to conceal'.

The 'right to know' refers to the 'public right to know [in order to prevent] the manipulation of information, or arbitrariness, and gives substance to the democratic requirement of accountability' (Robertson, 1982: 12; Hamelink, 1994: 305). The right to withhold or conceal information is premised upon the right of privacy and the authority of governing institutions which conveys legitimacy upon them to act in a certain manner.

The dominant rationale for external transparency comes as a response to the criticisms of governance institutions concealing information. External transparency yields benefits to those areas of governance that wish to enhance their legitimacy and democratic credibility<sup>36</sup>. In a recent publication from the European Union the argument in favour of external transparency is made explicit: 'transparency of the decision-making process strengthens the democratic nature and the public's confidence in the administration' (Commission of the European Community, 1993: 93)<sup>37</sup>. Transparency is thus seen to be an essential part of the process of governance between the rulers and the ruled enhancing trust in the public over the nature of the relationship. Following on in this vein, the World Bank has adopted strategies of transparency to present a more positive image of itself, with increasing external transparency one of its central reforms (see Nelson, 1995: 34-35 and Chapter 6).

It remains unclear, however, whether 'the right to access' is valued more highly than the 'privilege to conceal' by a wide range of governance institutions. In an attempt to give primacy to the 'right to access', Restivo asserts, that in the name of greater equality, every person should be 'entitled to access to the information they need to improve their life-chances ...' (1986: 81). He believes that our life-chances are compromised by 'ruling elites [who] gain and

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<sup>36</sup> External transparency has been much favoured amongst the institutions of the EU in an attempt to address the democratic deficit that exists between the institutions and the people. However, this remains an instrumental understanding and does not embrace wider principles regarding accountability, equality and participation.

<sup>37</sup> However, even by its own admission, external transparency is 'aimed at those members of the public who, because of their professional or academic activities, follow Community affairs more closely' (SEC (92) 2274: 96).



hold power ... by preventing citizens from having access to, or from achieving some understanding of, certain types of information' (1986: 81). Conversely, Robertson reasons that there have to be limits: 'there can never be, then, a right to know *all* [my emphasis] that a citizen might like to know. There can only be a right to know certain specified and carefully defined types of information...' (1982: 13). The answer for Robertson is one of balancing out the need for secrecy against the needs of openness in determining what types of information we have a right to know. Similarly, Bathory and Williams believe that 'the public's need to hear what is essential to public affairs - whether defined in relation to the decisions and actions of its political leaders or to public issues - does not extend to *everything*' (1977: 5). This view questions whether the principle of accountability can be considered *a priori* over other values like confidentiality, efficiency in deliberation and policy-making. In certain circumstances all information need not, and indeed should not be made public, particularly if the 'good' of concealment outweighs that of disclosure.

There are important issues surrounding the political function of external transparency which compromise its ability to deliver increased accountability. External transparency creates an image of transparency by reinforcing the rhetoric but without necessarily delivering increased accountability if there is no element of compulsion contained within it. For example, it is argued that the World Bank's World Development Reports whilst taking the format of objective analysis may in fact be selective and ideologically biased designed largely for the self-promotion and justification of a particular institutional position (Wilks, 1998: 1).

In the absence of meaningful 'rights to access', external transparency could be considered as a largely cosmetic reform. Gills and Rocamora have made a similar point about what they term 'low intensity democracy'. Applied to transparency, the concept 'is in danger of becoming a

term of political mystification or obfuscation, serving as a euphemism for sophisticated modern forms of neo-authoritarianism' (1992: 502). It is important to note that merely increasing access to information does not necessarily mean it will result in increased accountability. This is particularly so if increased access to information makes argument unnecessary because the information compiled by experts and specialists is considered legitimate (Lasch, 1995: 170). The danger is in conferring legitimacy on information by virtue of its source. What is required are alternative sources of information so that discrimination between competing claims can occur. As Bok argues,

*'Publicity can involve manipulation, secrecy, at times deception and outright lies; such publicity can orchestrate and arrange how something is to appear, and how its problematic aspects are to be concealed...It is therefore in no sense opposed to secrecy and often makes a mockery of publicity in the sense of public discussion and accountability. Indeed, the motives and actions kept secret or blurred by avalanches of information or by manipulation are often precisely those that go against the public interest' (1982: 115).*

External transparency interpreted in this way becomes a form of concealment (see Chapter 2 and the section on Productive Secrecy). Lasch considers that access to information alone is not an adequate means to ensure accountability; rather what is required is inclusive public debate (1995: 162). External transparency can thus be portrayed as merely a limited form of disclosure which is too often dependant upon unofficial leaks or reports sponsored by the institutions in question. Another concern is that the adoption of a minimal level of external transparency may obscure a more substantive lack of transparency in other areas. Claims that external transparency is increasing are contested, and the quality and scope of the information

available is argued to be of limited value because it serves particular interests (Cesareo, 1992: 90).

There appears to be a constant tension over the degree of disclosure and the quality of the information released. On one hand, 'without the right to access there is no means to prevent government from abusing office or acting against the interests of society' (Robertson, 1982: 13). On the other hand, disclosure might itself bring about a worse outcome because of the way decisions can be manipulated by that information. Those who advocate unlimited openness could be accused of being simple moralists advocating a relationship based upon expansive openness, without considering the wider implications for governance processes.

In summary, the principle of external transparency is one that provides the basis for greater access to information. This can serve two purposes: firstly enhancing the legitimacy of governing institutions, and secondly increasing accountability by providing a response to those critics of MGG who believe that they are too secretive. As I have indicated, the existence of external transparency cannot be relied upon to increase accountability. Bok, Restivo and Lasch have all pointed out the production and dissemination of information does not necessarily result in increased accountability. Conversely, there are those political realists who would argue that the right to access has to be balanced against the needs of governance institutions to keep information concealed.

## *Transparency From Above*<sup>38</sup>

The idea of transparency from above (TA) concerns the role of MGG in international surveillance and policing new rules of accountability and transparency concerning individual states. Its function is to help ensure the compliance of states in a wide range of multilateral regulatory agreements. According to the neoliberal-institutionalist perspective (see Chapter 1) TA requires the collection and dissemination of information by MGG in order to ensure discipline in the world order (Uvin, 1996: 167 in Weiss and Gordenker). In the aftermath of the Mexican Peso Crisis (see Chapter 5) the IMF requested greater regulatory powers because it wanted to enhance its ability to police the global economic system and ensure that information is available to market actors (Kapur, 1998: 110).

Transparency from above can be enforced in a number of ways: by ensuring states maintain good economic practice to avoid market crisis; by monitoring compliance of norms, rules and standards of international treaties and regimes such as the nuclear Non-Proliferation Treaty; and also as a condition of securing loans from the IMF and the World Bank. Transparency in this context is not concerned with increasing accountability within MGG but refers to the ability with which MGG can assess compliance with its rules and regulations (Young, 1992: 176. See Chapter 1: neoliberal-institutionalist section).

In the case of market stability, transparency acts to generate harmonisation, with the free-flow of information assisting market confidence and reducing the capacity of states to act as isolated national units in an integrated global economy. This international surveillance minimises the threat to free trade and maximises 'the costs of trade protection, because free markets are

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<sup>38</sup> The term 'globalization from above' has been utilised as an analytical concept most fully by Richard Falk (1995a; 1995b). Transnational forces that stand in opposition to power from above have been termed 'globalization from below'.

premised on the idea of a 'level playing field', and one way to ensure this is through transparency and international surveillance (Hoekman and Kostecki, 1995: 43). In an era of globalisation 'policy-makers are confronted more and more with a new discipline - the need to maintain the confidence of markets, both domestic, and, increasingly, international' (Qureshi, 1996: 31). Advocates of transparency from above argue that it generates confidence in the markets and that the world economy requires an open and transparent system to achieve this and the role of MGG is crucial for shaping compliance towards this shared norm.

Critics, however, believe that the surveillance activities that accompanies top-down transparency reflects a reconstitution of political authority at the global level without a corresponding increase in public accountability in these regulatory institutions (Cox, 1996a: 138). This is reinforced by Robinson who asserts 'even the fairest, most open and transparent process, administered with perfect impartiality, will not generate good outcomes if the rules ... are inappropriate' (Robinson, 1995: 375). Here Robinson is referring to the rules of the global economy that put the needs of global capitalist interests before those of a wider, plural set of interests. TA acts to reinforce the rules that support global markets and the authority of MGG whilst limiting the prospects for wider public accountability within MGG by giving precedence to market forces in the governance process.

This top-down form of transparency is often portrayed in technical terms which reveal little about its political intent. Critics argue that TA is skewed towards improving economic transparency and the 'ideology of the market', whilst placing limits upon the importance of political transparency in multilateral institutions (Agnew and Corbridge, 1995: 164). The sovereignty of states is being eroded from above, the spread of international surveillance gives increased authority to the institutions of MGG (Lewis, 1995). This view is reinforced by Cox

(see Chapter 1) who describes MGG as the 'machinery of surveillance', imposing their rules and authority upon the global economy (1987: 255). Cox argues that 'the institutions of the world economy incorporated mechanisms to supervise the application of the system's norms...' (1987: 255). For example, this process can be viewed in the conditions attached to loans through the IMF and the World Bank. The bias in the discourse of global economic governance is reflected in the conditionality policies of the Bretton Woods organisations.

This conditionality first requires the accountability of governments to global markets and secondly, making themselves transparent to global supervisors at the IMF (Gill, 1995: 413). By contrast, the multilateral institutions themselves remain free from surveillance and the gaze of the public sphere. This view suggests very much a traditional top down view of power, in which the institutions of MGG keep surveillance on states, and transparency becomes a part of these asymmetrical power relations. The vulnerable are trapped if they are constantly visible to a more authoritative body. The gaze of multilateral institutions acts as a discipline on non-market friendly policies, and it means there is nowhere to hide from these institutions.

It has been observed extensively that states have traditionally controlled the means of surveillance and that this continues to be the case (Giddens, 1990; Lyon, 1994; Dandeker, 1990). However, it is not surprising that the internationalisation of state activity has resulted in the spread of this process to embrace the global sphere of governance. This might be considered beneficial, stabilising global markets and ensuring compliance with MGG. Conversely, it transfers greater powers to the global level without any corresponding means of holding those powers to account. Because institutions of MGG are taking on an increased surveillance role, there is a powerful argument for making these institutions more transparent in their operations and hence more accountable.

In summary, the idea of transparency from above is often justified by an international economic order founded on the principle of openness (Guitian, 1994: 41). This openness also manifests itself in international surveillance mechanisms and refers to the way in which institutions of MGG maintain surveillance and discipline in the global economy. However, the institutions of MGG are not themselves subject to a similar degree of accountability or external surveillance. Transparency from above presents itself as a benign form of transparency introduced to support global markets and risks ignoring other issues such as the public accountability of MGG that manifest themselves through the internationalisation of the state (see Chapter 1).

### *Transparency from Below*

It has been suggested that at its best the discourse of transparency will remain limited to the idea of external transparency discussed above (Dore, 1993: 238). The application of the principle of transparency may remain limited to access to information released by governance institutions. In order for accountability to be adequate, a more substantive form of transparency is required, and this I have called transparency from below (TB).

The idea of transparency from below challenges the narrower version described above, and embraces the possibility of a substantive and wide ranging transparency. The scope of transparency from below includes increased access to information, increased participation and, more ambitiously to challenge the existing dominant power structures. In practice the principles of TB are about extending the limits of accountability beyond the state level to the supra-national or international level. This brings into question the legitimacy of the current political processes that separate institutions of MGG from national populations. Transparency from below questions the traditional boundaries that have separated MGG from domestic society

(see Chapter 1). It argues for a wider conception of transparency, one that includes openness in the discussion of substantive issues as well as challenging the processes of globalisation that are believed to be responsible for the increasing process of social exclusion, inequality and increasing authority of MGG (see Chapter 1). As a consequence, transparency becomes more than just a method of increasing openness or call to reform institutions of MGG; it is a political strategy.

One of the main criticisms levelled at institutions of MGG is that they 'evade any form of control by public deliberation and opinion, despite the protests of excluded nations and pressures from diverse social groups' (Archibugi and Held, 1995: 7). Multilateral institutions are accused of disempowering individuals in the control they have over important areas of our lives through influencing national policies (Bradlow and Grossman, 1996: 40-1). From the bottom-up perspective, the reform of institutions fails to take into account differences in the distribution of power. External transparency may increase the amount of information in the public sphere, but it does not necessarily mean citizens are more able to hold decision-makers to account. Similarly, the rhetoric of transparency may well distort the realities of power, making accountability less likely (Bay, 1977: 23). For example, 'underpinning the state's control of political space is its privileged access to information' (Camilleri and Falk, 1992: 200). Looking at transparency as a problem-solving device ignores the wider issues of explaining the underlying structures and social forces that constitute the political process. Advocates of increased accountability and transparency from below claim that to be effective the structural conditions that shape modern society need to be challenged and most particularly the structural forces that support the neoliberal economic orthodoxy (Falk, 1995: 236-240; Rupert, 1997: 144; Cheru, 1997: 153).



The idea of TB challenges the state dominated system of MGG and champions a conception of multilateralism that is based upon an inclusive, participatory global society. The state is just one of a range of bodies representing people's interests (Wapner, 1995: 335; O' Brien, 1997: 4). A shift would signal the transformation of MGG to a form of governance that gives more emphasis to the global with its emphasis on inclusion over multilateralism and exclusion. The rejection of a state-centred concept of international relations would, it is reasoned, produce 'a new politics of global responsibility'; one that is inclusive and based upon democratic principles (Shaw, 1994: 131). As Linklater and MacMillan assert: '... if democratic accountability has a role within transnational political theory then there is a strong case for representing international non-governmental agencies and social movements at the highest level of international decision-making' (1995: 14).

Increasingly there have been calls from interested groups to take on a more integrated role: during the negotiation for the General Agreement on Tariffs and Trade (GATT) during the early 1990s environmental groups were calling for "measures to ensure greater public participation and transparency in the GATT dispute settlement procedure" (Letter to US trade representatives quoted in Ritchie, 1994: 751). Substantive transparency aims to combat secrecy and hidden power in the process of MGG by advocating a more expansive and substantive form of democracy: one that encourages greater dialogue, equity, participation and social justice. Lang and Hines believe that the global level of governance is inherently unaccountable due to its spatial remoteness: 'if decisions about your life and environment...are taken by far-off people and bodies, it is almost impossible to affect those decisions directly...it is easier to get to a local council or committee meeting, than to one the other side of the world' (1993: 107).

Advocates of transparency from below believe in the empowerment of local and national communities to combat social, economic and environmental problems. By contrast the priorities of MGG appear different. In the economic sphere advocates of greater public control of MGG argue that because these organisations prioritise the interests of the market before the needs of the individual, serious economic and social consequences will result (Falk, 1995a: 181). One reaction to the process of economic globalisation is a corresponding shift towards a 'localistic reaction to globalization'. This includes a recognition that there can be, for some, a 'welcome decentralisation and democratisation of politics' (Agnew & Corbridge, 1995: 218). For example, in a recent report on aid from the European Union to the Philippines, it was argued that the traditional top-down approach (with its incumbent conditionality) should be replaced. What was required was a means of 'taking account of more qualitative issues relating to cultural diversity, sustainability, equity, gender, participation and the environment' (Santos, 1995: 1). A bottom-up approach favours local participation as a more equitable and efficient way of distributing aid. Equally, this could be applied to a wide range of issues that are currently dominated by international organisations.

Transparency from below looks to more substantive participation by NGOs in MGG and is based upon the belief that accountability requires the opportunity to influence outcomes. For example, at the recent negotiations over the North American Free Trade Agreement (NAFTA) a lack of openness was identified as seriously hampering the ability of interested NGOs to participate. Ritchie reasons that the lack of democratic participation occurs as a direct result of inadequate openness in the political process. This leads to the exclusion of 'individuals and groups, including some of the most knowledgeable and thoughtful, who criticised the direction of the NAFTA negotiations' (1994: 749). Where global multilateral organisations are involved, the tendency appears towards limited participation by concerned citizens and NGOs.

Camilleri and Falk believe that new social movements committed to resisting the internationalisation of authority have become a global phenomenon (1992: 206-211). These new social movements act as the prime checks and balances on MGG. However, these groups are not without their critics and their belief in a form of international civil society as agents of accountability need to be viewed with caution. Because critics of globalisation tend to take a benign view of these social movements it does not mean that they are without power or that they may not themselves open up new and different inequalities. These groups have unequal power and political voices and this raises real issues of accountability amongst such groupings (Hurrell and Woods, 1995: 463).

Notwithstanding these concerns about increased participation at the global level, there is seen to be the beginnings of a growth of participatory politics at the local level and that local politics 'forms the bedrock of genuine democratisation' (Watkins, 1995: 217). Watkins goes on to argue that although there is not a universal form of democracy that can be applied to all people at all times, what is crucial to effective participation is transparent and accountable governors. Transparency should mean that policies of international organisations are opened up to wider scrutiny (Watkins, 1995: 219).

To recap, TB asserts the need for a more substantive form of transparency. This more expansive transparency would extend the possibilities for more accountability in MGG not least by highlighting the political content of transparency. This position challenges the structure within which multilateral global governance operates including both the inter-state system and the global economy. Central to the drive for increased accountability is the capacity of NGOs to act as critical agents.

**Table 4: A Typology of Transparency**

<b>Types of Transparency</b>	<b>Characteristics</b>	<b>Implications for Accountability</b>
<b>Internal</b>	Narrow application. Refers to transparency within institutions. Maintains the primacy of efficiency and effective government over wider political participation and accountability.	Applies to accountability within institutions, but excludes wider access and participation. Advocates would argue that it performs an important function helping effectiveness and efficiency. In the pursuit of public accountability, its usefulness is limited.
<b>External</b>	Most frequently applied form of transparency in MGG. Refers to officially sanctioned release of information into public domain. Vulnerable to claims of productive secrecy.	External transparency provides some access to information. This can enhance the legitimacy of MGG by challenging secrecy. External transparency cannot be relied upon to increase accountability. The production and dissemination of information does not necessarily result in increased accountability. A right to access is often balanced against the need for secrecy.
<b>From Above</b>	Transparency as a source of regulation in the global order. Surveillance undertaken by MGG. Has political implications due to the authority it gives to MGG and links with neoliberal economic agenda.	Aims to increase the accountability of states to the rules and norms of the economic system. Institutions of MGG are not subject to the same degree of accountability or surveillance. It presents itself as a benign form of transparency introduced to support global markets. It ignores the political role of MGG.
<b>From Below</b>	Full political participation by NGOs, citizens, etc. The discourse of transparency is a substantive concept with the potential to produce a more just world order.	Extends the possibilities for more accountability in global governance highlighting the political content of transparency. It challenges the structure within which multilateral global governance operates including both the inter-state system and the global economy. NGOs play a central role.

## Conclusion

This chapter has highlighted the way in which the discourse of transparency has proliferated due to developments in new technology, and the dominance of a liberal democratic political and neoliberal economic agenda on a global scale. It would appear that rather than simply guaranteeing accountability, the discourse of transparency creates both possibilities and limits for accountability. In addition to this the discourse of transparency is integral to the relationship between good governance and accountability. The key issue that it raises is whether the principles of good governance can be applied to the institutions of MGG. As a consequence it is legitimate to pose the question whether the current orthodoxy that surrounds the idea of transparency is merely rhetoric, or does it amount to something more meaningful? If we agree with Bobbio that power will always attempt to hide itself, then the limits of the discourse will be made apparent. However, as the typology illustrates, transparency has come to be understood and applied in a number of different ways. Rather than speak of one transparency it is more appropriate to think in terms of multiple forms of transparency; and it is more productive to ask ourselves what form of transparency exists, and what are the consequences that stem from this for accountability? Understanding transparency in this way may provide solutions to the paradox between the discourse of transparency and the continuing prevalence of secrecy in institutions of MGG.

## A Summary of Chapters 1-3

The discussion in Chapters 1-3 has concentrated upon exploring the issue of accountability in institutions of MGG. Chapter 1 set the context for the discussion by placing the issue of accountability at the fore by looking at different assessments of globalisation. The end of the

state thesis gives validity to the argument that globalisation has led to more authoritative and regulatory institutions at the global level. The myth of globalisation challenges this view and posits that states are still an integral part of the governance mechanism. Both of these assessments have implications for accountability in MGG. The latter half of Chapter 1 explored four perspectives on international relations to see what prospects they hold for accountability in MGG. Each of these interpretations gives a different view of accountability and the role of transparency. The state-centred position would view wider accountability as a non-issue. Neoliberal-institutionalism looks to technical reforms to enhance internal and external transparency. Whereas the cosmopolitan and radical position would advocate transparency from below as a source of accountability.

In Chapter 2 the focus was on the concept of secrecy and the ambiguity that surrounds its use in the governance process. Secrecy can be a necessary part of social relations and the governance process. The existence of secrecy in MGG is therefore not necessarily a cause for concern. However, whilst secrecy can be justified, its existence allows for the possibility of political processes remaining hidden and unaccountable as in the institutional and productive use of secrecy.

In Chapter 3 I examined the idea of transparency, and its potential and limits as a source of accountability. This chapter highlights the way in which the discourse of transparency has proliferated in the debates over MGG including what is the relationship between good governance and accountability. It explores the discourse of transparency, including both the possibilities and limits the concept presents for accountability. The issue is primarily whether this discourse is merely rhetoric or amounts to a wider, more public, form of accountability.

## ***Chapter Four***

### **The IMF and the Mexican Peso Crisis**

The International Monetary Fund (IMF) has for the last fifty years been a central pillar for the governance of the world economy. Its main duty has been to intervene during periods of financial crisis to prop up unstable domestic economies. In this area the IMF's authority and influence have become a dominant feature of the modern world. This chapter assesses the accountability of the IMF policy processes. The particular focus will be upon the part played by the IMF in the Mexican Peso Crisis of 1994/5. The principal questions being: to what extent were the actions and policies of the IMF open and transparent during the peso crisis?

Challenges to the legitimacy of the IMF's authority have come from a wide variety of 'voices' who want to see the IMF either abolished, or become a more accountable institution (Bradlow and Grossman, 1996: 44; Browne, 1994: 63-70; Gerster, 1994). There is growing conviction amongst these critics that the Fund can no longer act without recourse to a wider set of interests than those of its dominant members otherwise it will remain an exclusive organisation, closed to the needs of local conditions (Killick, 1995: 13).

By following a neoliberal agenda based upon free markets and non-intervention the IMF ignores any social responsibilities which is compounded by a lack of public accountability. Within the IMF, resistance to wider accountability remains strong, justified on grounds of financial confidentiality, legitimate authority and the interests of its members.

The chapter is divided into four sections. The first looks at the development of the IMF over the past fifty years in order to place its current activities in context. The second explores the internal workings of the IMF and examines the role of secrecy and the discourse of transparency. The third section looks at the Mexican Peso Crisis and the role of the IMF. The subsequent section gives an analysis of the peso crisis looking at various factors to answer the question: to whom is the IMF accountable?

## The Background to the Fund

From its inception in 1944 at the Bretton Woods Conference, the International Monetary Fund has been one of the key institutions in the management and regulation of the global economic system<sup>39</sup>. Its primary duty has been to monitor the economic stability of member states, intervening when requested to do so with loans to correct short term financial problems (Williams, 1994: 54). Its job is to promote and facilitate, assisting and giving confidence to good economic practice between and within states. As Bird observes, 'the Fund ... provide[s] a linchpin for the centralised management of the international monetary system' (1995: 2).

For the first twenty years after the establishment of the IMF, few questions were raised concerning the Fund's legitimate position in supporting fragile economies. It was conceived in order to give assistance and advice in the restructuring of domestic economies in Europe after the end of World War Two (Williams, 1987: 2). The lack of political controversy in the early days of the IMF was in part due to the post-war economic boom in the West and in part the

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<sup>39</sup> The IMF came into existence on 27 December 1945. The Board of Governors first met on 8 March 1946. The Executive Board's first meeting was on 6-5-1946, and it commenced its financial operations on 6 May 1946 (Hooke, 1982).



institutional weakness of the Fund (Williams, 1994: 57). From the beginning the IMF was conceived as an organisation dedicated to governing the global economic system.

The significance of the IMF has fluctuated over time. The 1970s was a problematic decade for the IMF (and the Bretton Woods institutions in general), due to dwindling resources and an increased part played by the G-7 and private bank finance (Helleiner, 1994: 167). The 1980s saw a resurgence of IMF activity as the governments of developing countries in need of finance undertook structural adjustments to their economies as a condition of loan guarantees. The use of conditionality and the direct surveillance of many developing economies by the IMF signalled its greater role in the governance process. The dominant thinking within the IMF at this time was that economic development required the discipline of the market as the basis of adjustments to domestic economies. These adjustments include deregulation of markets, opening economies to market competition and reduction in state intervention (see Agnew and Corbridge, 1995: 195; Woodward, 1993: 4). Due to these policy recommendations the IMF role as an institution of MGG remains controversial. There are those who see it as a politically benign institution facilitating co-operation between its members (Driscoll, 1995), whilst others characterise the IMF as inherently political (George, 1994: 54-57).

Advocates maintain that the IMF plays a purely technical role, upholding economic stability, and that it is detached from strategic political decisions. The Fund's traditional authority is based upon three factors. Firstly, it is an economic and not a political institution; secondly, it acts on behalf of its members; and thirdly its lending policy gives it the legitimate right to impose conditions on loans (Driscoll, 1995: 1-3). Conversely, critics contend that this politically benign view of the IMF does not reflect reality. After decolonisation the IMF was portrayed as a tool of neo-imperialist power because of the conditions attached to its structural

adjustment programmes (Falk, 1995a: 29; Cheru, 1997: 164). More recently, the IMF has been represented as playing an important role in the process of economic globalisation and its governance, reinforcing the liberal economic orthodoxy of economic globalisation (Agnew and Corbridge, 1995: 164; Gill, 1995: 413; Cox, 1994: 49).

From this critical perspective the IMF is considered to lack legitimacy. It is seen to promote market forces and act in the interests of the G-7 industrialised states. Because of this the IMF's function is considered political in both its motives and actions (Agnew and Corbridge, 1995: 164). Critics believe that the political function of the IMF cannot be separated from the more technical economic aspects of its work, and that the institution is inherently political. This political dimension to the IMF's role is reinforced by its adherence to neoliberal ideology and support for market reforms before other considerations such as the social implications that result from these policies, including increased unemployment and cutting of social welfare provision (Killick, 1995: 13; Tanzer, 1995: 12-13).

## **The Organisation of the IMF**

When exploring the workings of the IMF, it is useful to say something about its organisational structure. The IMF bureaucracy is based upon a tripartite structure: a Board of Governors, an Executive Board and Secretariat (otherwise known as the Interim Committee). The Board of Governors is the top echelon within the IMF, and represents the authority of the member states with each one appointing a Governor. A Governor is entitled to cast the number of votes allocated by a system of weighted voting based upon the members' contributions. The Board meets once a year and the annual report is produced in their name. This report is the definitive statement of the Fund's policy objectives and review of the past year's projects. The decisions

made by the Governors are however, necessarily based upon the outcomes of the workings of the Executive Board and Interim Committee (Ferguson, 1988: 90).

The Board of Governors has in practice delegated primary responsibility for decision-making to the Executive Board (EB). The EB, led by the Managing Director, plays a crucial part in IMF policy and have been described as the pivotal decision-making organ of the institution (Hexner, 1964: 76; Ferguson, 1988: 67). The EB is responsible for the day to day running of the Board. For example, in the event of a crisis, as in Mexico 1994/5 (details below), it was the EB which was at the centre of the process of consultation and of determining the conditionality of the loan. There was not time for full consultation with the Board of Governors; the rescue plan was presented to them by the EB once it had been finalised for agreement. Thus, the role of the Executive Directors is crucial because they largely determine IMF policy (Bischel, 1994: 141)<sup>40</sup>.

The final body in the tripartite structure is the Interim Committee (IC) whose duty it is to advise the Executive Board. Although only able to recommend policy, its guidance is a crucial component of the IMF decision-making process<sup>41</sup>. For example, in October 1994 the Interim Committee requested that the Executive Board strengthen its surveillance procedures (IMF Annual Report, 1995: 45). In its report the IC regarded the existing procedures as inadequate for the systematic harmonisation of national economic policy and recommended that they be strengthened. Recommendations are often taken up by the EB and become Fund policy. It is noticeable within this tripartite organisational structure that the IMF operates in a bureaucratic

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<sup>40</sup> The Executive Board is made up of twenty members, five elected by the members with the largest quotas and fifteen by the other members between them (Gold, 1979:12).

<sup>41</sup> The IC's position was enhanced with the amendments to the Articles of Agreement which came into effect on April 1st 1978 and its purely advisory role became more influential in the policy process (Hooke, 1982).

top-down manner, with decisions made at the highest level and then passed down without consultation with other interested parties.

### *The IMF and Institutional Secrecy*

The existence of institutional secrecy within the IMF has been widely commented upon and appears to be deeply imbedded within the IMF's culture (Woodroffe, 1994: 4; Friends of the Earth, 1994: 19; Budhoo, 1994: 13). This type of secrecy in the IMF is justified by the need for internal cohesion and the confidential nature of its business in the financial sphere (see Chapter 2). One area in which institutional secrecy manifests itself is in the decision-making process which is based upon consensus building amongst the ED's. Aware of the in-built bias in the system of voting, and in order to avoid controversy, an environment of consensus building, as opposed to vote taking, has developed on policy decisions (Ferguson, 1988: 65; Driscoll, 1995: 9)<sup>42</sup>. The process of consensual dialogue that has developed amongst the EB means that decisions are based upon the 'sense of the meetings' (Gold, 1981: 25).

Institutional secrecy is reflected in the dialogue that occurs within the IMF. When the Fund is about to engage with a member over a loan, dialogue is restricted internally to the Executive Directors and closely associated members of the IC. Externally, the consultation process is between the IMF and representatives from the member states. From these discussions a *Staff Report* and briefing paper are produced which contain an assessment of a country's performance, prospects and policies, plus proposals for domestic economic reforms. Even when these negotiations have been completed, the Staff Report remains confidential. This

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<sup>42</sup> Officially, decision-making within the IMF is based upon the principle of weighted voting. Advocates of this voting system maintain that although it does not deliver equality in voting, it does take into account the financial contributions made to the IMF. Due to the United States' pre-eminent economic position a veto was a built in, however, because of this the IMF is widely viewed as an agent of the developed world (Williams, 1994: 67).

confidentiality is important because it is from this report that potential problems are identified and corrective policies delivered (Hooke, 1982: 22-23).

Another important IMF document that remains confidential is the *Letter of Intent*. This is submitted to the IMF by the loan recipient country. Included within it are the details and conditions that the country intends to undertake for the structural adjustment of its economy (Hooke, 1982: 21). One of the key criticisms of the IMF is that the information in the Staff Report and the Letter of Intent are not made public (Gerster, 1994: 48). The input the IMF has into the Letter of Intent means that the IMF and not the borrowing government becomes responsible for economic policy (Cooper, 1995: 28).

The institutional secrecy that exists within the IMF and encourages organisational and functional secrecy (see Chapter 2) is defended on the grounds that it represents information that is primarily confidential in nature. To release it would threaten the relationship between the IMF and its members. This is not to say that the IMF has not attempted to address the concerns that exist about the lack of openness.

### *The IMF and Transparency*

More recently the IMF, under the direction of its Managing Director Michel Camdessus, has started using the language of increased openness (IMF, Annual Report 1995: 39). On the 22 November 1994, a month prior to the Mexican crisis, a US Treasury Spokesperson, Larry Summers, made a statement about the IMF. He asked that 'the IMF and member governments ... forego traditional secrecy of Fund's programmes to build public support for difficult adjustments' (Dunne, 1994: 6). Summers suggested that documentation relating to the possible

consequences of structural adjustments should be made public in order to promote public confidence in the IMF and build a relationship of trust with wider society.

The IMF, aware of this and other similar criticism has, engaged the discourse of transparency. In part this has been due to the work of Camdessus. In the Fund's 1995 annual report he comments upon the need for increased openness within the IMF and reforms that have already been undertaken<sup>43</sup>. For example, the IMF has expanded its External Relations Department, increased the number of publications and made a commitment to make more IMF documents public (IMF Annual Report, 1995: 39).

The same report states that moves towards transparency must be viewed within the constraints of maintaining a balance between openness and confidential relations with member states (IMF Annual Report, 1995: 39). In the light of this statement the effectiveness of these reforms for greater transparency are ambiguous. Critics reason that the reforms do not go far enough towards establishing the principle and practice of transparency in governance processes. It is suggested that what is required is the publication of the conditions of a loan prior to agreement by the principal parties, so that other interested bodies are not excluded, and there is the opportunity for public debate (Oxfam, 1995: 44).

The issue of transparency within the IMF is complicated by the different manifestations of transparency (see Chapter 3) which results in the use of transparency in a number of different and sometimes contradictory ways. The IMF advocates absolute openness in the economic sphere, but is content for the political sphere to be bounded by a more limited form of openness. The dominant discourse in the IMF is that 'international economic governance must

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<sup>43</sup> It has been argued that the annual reports are the best source for determining the ideology of the EB and as such 'value judgements concerning the Fund's ideology may be made on the basis of these documents' (Hexner, 1964: 83).

be founded inevitably on openness' (Bernstein and Boughton, 1994:41). Transparency in economic matters is required to impose discipline on national economies and ensure markets have access to information. According to the principles of good governance (see Chapter 3), economic openness and political openness go hand in hand. However, there is an apparent lacuna between the openness advocated in the economic sphere and transparency within the IMF.

An important role of the IMF is to keep surveillance on national economies and facilitate their integration into the global economy. This 'top-down' view of openness is one that has been criticised as being another manifestation of the IMF's powerful position. In the consultation process, member governments provide the Fund with data for surveillance, enabling the IMF to cast its gaze across members' economic policies and enforce the market discipline required of IMF members (see Chapter 3 and the section on top-down transparency).

Interestingly, the relationship between economic openness and political openness in the IMF has been confronted in its publication *Proposals to Strengthen Surveillance* (IMF Survey, 1995: 154). The IMF makes a direct connection between the benefits of openness in the interests of the global economy and openness within its internal culture. Although the IMF's primary responsibility is the stability of the global economy, it has been forced by the logic of market openness to question the basis of its internal secrecy. The IMF has recently published a document entitled *Social Dimensions of the IMF's Policy Dialogue*; stressing the importance of good governance (see Chapter 3) through accountable institutions and increased participation as a key aspect of the Fund's policy dialogues when dealing with the issue of social development (1995: 1). In part this shift towards increased transparency has been forced

upon the IMF by the discourse of transparency that underpins the principles of good governance that the institution wants to promote in the global economic sphere.

In the IMF documents the policy recommendations conclude that transparency acts as a check and balance upon poor political and administrative practices. In addition it enables participation through dissemination, explanation and the decentralisation of decision-making. The IMF describes this as a 'stake-holder society' where governance mechanisms are held to account, and interests within society have a stake in decision-making processes (IMF, 1995: 8). However, problems occur when we consider the proposition that the IMF, whilst advocating good governance at the national level, places limits on openness in its governance mechanisms.

In spite of the criticisms of the IMF as a secretive organisation, it appears that the Fund has not been totally averse to the idea of increased internal openness. In a recent IMF report it was claimed that 'IMF reports need to be more candid and pointed in analysis and language, and concerns regarding members' economic policies will need to be addressed more explicitly' (IMF Survey, 22-5-95: 155). The scope of this new found openness is limited as within the same report it asserts: 'at the same time, members' needs for confidentiality will continue to be respected' (IMF Survey, 22-5-95: 155). Similarly, Camdessus, when questioned, in an interview about a recent IMF document that was said to adopt language 'obscure in the extreme' and 'very untransparent', replied 'that there is nothing wrong with being a little imprecise' (IMF Survey, 8-5-96: 134).

The contradictory policy of the IMF over transparency becomes even more apparent when other examples of 'IMF speak' are examined. Camdessus is reported as being in favour of 'encouraging more openness with the public about IMF policies and operations and the data on



which they are based' (IMF Survey, 14-9-95: 268). The result has been an increase in access to information on the condition that the relevant member states agree. Similarly, Van Houtven, a member of the IMF Interim Committee, when asked about transparency, remarked that openness is a necessity of public institutions (IMF Survey, 14-9-95: 270). However, the contradictions within the IMF openness policies, soon become apparent as in the same statement, Van Houtven, defends the confidentiality of relations between the IMF and member governments (IMF Survey, 14-9-95: 271). Thus, the commitment to transparency becomes bounded, with limits placed upon it by the IMF's deference to its relationship with member states.

The dilemma over public accountability and confidentiality is further highlighted by Camdessus. When asked in an interview about increasing internal transparency and whether a conflict exists, he replied:

'No, I do not see any conflict. Greater transparency is increasingly recognised by our members as an obligation that results from the increasing role financial markets play in their financing. In encouraging transparency - and a candid policy dialogue with us is part of this transparency - we can only help our members to be judged more accurately by the markets. Any country that is tempted to be less candid in its policy dialogue with us would be acting against its own interests, given the existence of the markets. Transparency and openness in policy dialogue, therefore, must and do go hand in hand' (IMF Survey, 14-8-1995: 251).

The implication of this statement is that transparency is only required to exist internally between the IMF and its members, excluding any other interested parties. This raises other

issues over how the IMF intends to resolve the dilemma over wanting to be seen to be open and accountable and the secrecy that continues to exist, if indeed it does. The clever manoeuvring required by this disjuncture is illustrated by the actions of Camdessus who in the statement above avoids answering the issue of the IMF's internal transparency directly. He highlights the belief that transparency, rather than being motivated by political factors, is primarily attributed to the needs of the market to manage its financial 'risk' (See Chapter 1 and Chapter 3).

This relationship between transparency and the markets is reinforced by Camdessus's admission that the priority is for the markets rather than a wider, more inclusive, group to be able to judge policy. There is the assumption that, because of the needs of the market, political openness will result and reduce the potential for conflict between states (see Chapter 1 and the section on the neoliberal-institutionalist perspective). This narrow formulation of transparency highlights the gap that exists in the use of transparency between the IMF and its critics. This is a key point because the use of transparency within the IMF emphasises certain forms - internal and top-down transparency - whilst ignoring its critics who want to either enhance external transparency or move towards bottom-up transparency. The limits of transparency in IMF operations will now be discussed further, looking at the particular case of the Mexican Peso Crisis.

## **Background to The Mexican Peso Crisis**

In recent years Mexico has been identified as one of the most successful of the developing economies emerging in South America. Since the mid-1980s the Mexican government has undertaken steps to transform the economy from one characterised as being publicly owned, debt-ridden and inefficient, to one that has become competitive in the global economy, underpinned by policies of privatisation and low public spending (Ramirez de la O, 1996: 12).

It was the apparent success of these policies that encouraged the United States to conclude the North American Free Trade Agreement (NAFTA) with Canada and Mexico (Ramirez de la O, 1996: 12).

The reform of the Mexican economy had been underway since 1982, with structural adjustments policies introduced in an attempt to avoid the characteristic 'boom and bust' of its economy. The process continued throughout the 1980s and into the 1990s with reforms of Mexico's financial sector and policies of privatisation. A crucial actor throughout this period, particularly during periods of economic uncertainty, has been the IMF. It has been suggested that the IMF had been delegated the role of 'policeman' by the United States government to keep surveillance on Mexican economic policy (Smith, 1996: 3).

The IMF's involvement intensified throughout the 1980s due to a fear of the effects of the Mexican government defaulting on loan repayments on the confidence of the global market. The IMF came under pressure to act and so became involved in buttressing-up the international financial system by underwriting Mexico's interest payments. This became known as the 'Brady Plan'. Critics of the plan believed that, rather than solving Mexico's debt problem, what had happened was that Mexico's economic problems had merely been transferred from private commercial banks to the public institution of the IMF (Shepherd, 1994: 310). For many, this failure of the Mexican economy, like the peso crisis to follow, raised questions about the neoliberal model advocated by the IMF. An important point to note is that in this transfer of money from one type of organisation - private banks and commerce - to a public institution the IMF was effectively taking greater responsibility for the economic development of Mexico<sup>44</sup>. The IMF gives those economies that are experiencing difficulties a 'seal of

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<sup>44</sup> The degree of responsibility that the IMF has taken throughout the developing world is reflected in the IMF lending \$70bn to 93 developing countries in the period between 1980 and 1990 (Woodward, 1993).

approval' - a guarantee in effect that something is being done to address the problems. The intention being to reassure investors and attract further external investment from private sources.

Cho argues that the structural adjustment undertaken by Mexico had little effect upon developing its economy during the 1980s (1995: 78). To maintain confidence in its economy, Mexico was forced to pay high interest rates on its debt leading to greater levels of poverty. Despite this, the success of the Brady Plan has been described as 'incontrovertible'. Primarily this was due to a debt restructuring programme led by the IMF, and by 1995 Mexico had become the thirteenth largest economy in the world (Treviño, 1996: 95). Its 'star pupil' rating had led to an increased confidence in the Mexican economy and further integration of the Mexican economy was sought through NAFTA<sup>45</sup>.

### *The Peso Crisis*

Due to Mexico's star economic billing, the financial crisis, when it came, took the IMF and the rest of the world by surprise. On the 20 December 1994 the value of the peso collapsed and the currency had to be devalued. This collapse followed the failure of the Mexican government to anticipate the reaction of the markets to its economic policies and in initially dismissing the possibility of any devaluation. As markets withdrew their support for the Mexican economy, the government did not have the resources to intervene during the crisis and the peso lost fifty per cent of its value (Weintraub, 1995: 108). The significance of this situation was reflected in the claim that this represented the 'first financial crisis of the twenty-first century' (IMF Survey, 20-3-95: 85).

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<sup>45</sup> The NAFTA agreement presented Mexico with a means to accelerate economic growth by making it more attractive to external investment from the USA (See Leyton-Brown, 1994: 352).

The role of the IMF during this crisis was crucial for the stability of the regional and global economy. By restoring confidence in Mexico's economy, the IMF hoped to settle South America more generally and stabilise global markets. Failure to do so would be detrimental to the whole region, precipitating what has become known as the 'tequila effect' (Carrizosa, Leipziger and Shah, 1996: 25). The fear was that had the peso crisis not been tackled effectively there would be serious economic repercussions throughout the region<sup>46</sup> (IMF Survey, 20-2-95, 54). The 'tequila effect' is a good example of the interconnected nature of national economies, and was the reason for the IMF's 'unprecedented' response to the crisis. In the words of Camdessus the IMF was acting to avert a 'worldwide catastrophe' (IMF, Survey, 1995: 54).

Responding to the crisis the IMF provided a stand-by loan of unprecedented size, with the IMF making the biggest single loan it had ever given to a member country: a sum to the value \$17.8 billion<sup>47</sup> or 12,070.2 million SDR's (Special Drawing Rights<sup>48</sup>). This agreement by the IMF of a loan within hours caused tension amongst some of the Governors of the IMF, primarily between those of the USA and European Countries (Coyle, 1995: 24)). The speed with which the IMF bureaucracy moved was achieved without recourse to official IMF procedures and effectively excluded any other groups than the IMF Executive Board from the decision-making process (Tanzer, 1995: 11). In doing so the Fund appeared to disregard its own Articles, shoring up a national economy suffering finance capital outflows, something that the IMF had previously been at pains to avoid (Snowden, 1996: 1-2).

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<sup>46</sup> In Argentina, for example, the situation in Mexico was blamed for triggering a crisis of confidence in the banking system, with capital flowing out of Latin America (Carrizosa, Leipziger, Shah, 1996:23-24).

<sup>47</sup> The final loan to the Mexican government totalled \$50 billion dollars which was the aggregate contributions of US Government, IMF and the Bank of International Settlement (Trevino, 1996).

<sup>48</sup> SDRs were introduced to replace the fixed gold value of the dollar by the second amendment of the Articles (See, Gold, 1981:25).

The role of the United States government was key in influencing the IMF Board. The US government did not want its new trading partner to undermine the recent NAFTA agreement. Domestic pressures meant that the US administration was unable to mount an adequate rescue package (*Economist*, 4-2-1995: 14: 85). As a consequence the IMF was persuaded to intervene. It did so without the full support of all its members; Germany was particularly reluctant. It has been suggested by Strange that 'while the secretariat of the IMF may have been happy to expand its role as a nascent world central bank, the IMF's Executive Directors who are appointed by national governments were unlikely to agree' (1996: 196). During the Mexico crisis the US government, rather than portraying it as a national crisis for Mexico, presented the situation as a threat to global economic security and particularly the United States economic security.

The blame for the collapse of the peso was initially contested. One argument is that it was caused by foreign investors panicking and removing their money due to the threat of the Mexican economy going into recession (Roett, 1996: 44). Since then the blame has shifted with the IMF citing Mexico's governing elites as responsible for the crisis (Roett, 1996: 44; Davison, 22-8-95; Weintraub, 1995: 230). Others have blamed the situation upon the structural deficiencies of the IMF model market driven approach (Cypher, 1996: 452). This confusion was compounded by two contrasting views that appeared in consecutive editions of the *Economist*. On 28 January 1995 the IMF was accused of incompetence and of limited utility. By 4 February 1995 the same publication was of the opinion that the IMF had redeemed itself by being a more effective unit of economic governance than the United States. What this would appear to indicate is that responsibility for the crisis was not all on one side (Strange, 1998: 96).

What ever the explanation for the crisis, the Mexican government had to give into the market and the IMF had to organise swift and effective intervention. To a large degree this was motivated by a belief that the peso crisis might lead to developing countries, like Mexico, reverting to protectionism and retreating from the process of economic globalisation. The IMF believed its role was crucial to ensuring that the project of market reforms did not go off the rails (IMF Survey, 17-4-95).

### *The Role of the IMF*

This section examines the available information to assess the IMF's direct involvement in the peso crisis. After the initial crisis had stabilised with the Mexican government allowing the peso to float and raising short term interest rates, assistance was requested from the IMF on 6 January 1995. With this request for assistance, on 9 January 1995 the IMF and Mexico entered into formal negotiations over the conditions of the loan. First, a standby loan for the short term would be given and following that a medium term loan. By early February although the details of the loan had been arranged, what was not clear was the substance of the discussions that occurred in this three week period. The conditions of the loan were discussed between the IMF 'Mission' and the representatives of the Mexican government. The outcome of this dialogue was the drawing up a Letter of Intent setting out the loan terms. It is in drawing up the conditions contained within the Letter that the IMF was able to exert its influence and authority imposing the conditions under which a stand-by loan was granted.

In the context of the discussion above about the IMF and transparency, it is interesting that on 2 February 1995, Camdessus held a press briefing in which he described the steps the IMF had taken to avert another crisis and maintain confidence in the peso (IMF Survey, 20-2-95: 53). Included were some general comments about the adjustment programme as well as comments

about its overall size. It has been suggested that this display of transparency was to enhance market confidence rather than greater access to IMF policy-making processes. This interpretation can be assumed because of the lack of transparency which characterised the dialogue between the IMF and the Mexico government. Apart from the limited transparency offered by the press conference, the conditions and details of the loan were at worst kept concealed, and at best not fully open (Fidler, 6-4-95)<sup>49</sup>.

It has been reported that the degree of adjustment expected of the Mexican economy was played down by the IMF. The IMF maintained that the Mexican economy remained essentially sound and that the crisis was a temporary blip. This explanation appears to clash with the realities of the adjustments expected (Ramírez de la O, 1996: 25). It has been argued that because the Mexican government was expected to put its domestic economy in order whilst servicing its foreign debt, there was an 'unfair distribution of the burden of the adjustment between the domestic economy and foreign investors, as well as among socioeconomic groups' (Ramírez de la O, 1996: 25). Attempting to conceal this fact, strengthens the claims for the increased accountability of the IMF.

During the peso crisis some secret information came into the public domain. This was not through explicit disclosure by the IMF or Mexican government but from information leaked to the press and from other sources (Heredia, 1996). The conditions of the loan included: a) Mexico must have a 0.5 per cent surplus in public finance in 1995 b) Mexico must limit increases in credit c) Mexico must increase its net internal assets. This leaking of information might reinforce the idea that secrets are difficult to keep (see Chapter 2). In reality it does not amount to much more than limited access to basic information. Critics of the IMF during the

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<sup>49</sup> On application to the IMF for further information regarding the content of the Letter of Intent and Staff papers surrounding the Mexico crisis, I was informed by the External Relation Department that the information was not for public consumption.



peso crisis argue that the lack of transparency meant that the Fund could not be held accountable for those policies that contributed to the economic and social problems in Mexico (Heredia, 1996: 2).

Given the circumstances it could be argued that it did not matter that the content of the negotiations between the IMF and the Mexican government were not released into the public domain. It is clear from the IMF's general policy statements what conditions would have been required for the external loan negotiations, namely, that Mexico must move more quickly towards neoliberal macroeconomic policies. But the detail is significant because the IMF had a set of pre-conceived assumptions about economic development which were reinforced through its policy recommendations. Without an open discussion of these assumptions the policy recommendations of the IMF could not be challenged. Furthermore, in keeping details of the loan secret the IMF contravenes the principle that whilst confidential negotiations may be justified there should be no secrecy surrounding the terms of the settlement.

The exclusion of social groups from the IMF's policy-making process meant that traditional groups from Mexican society were excluded from the debate over structural reforms, in this case despite the social ramifications of the peso crisis for the majority of the population. This can be explained in part by the IMF playing down the consequences of structural adjustment. The reality for many was very harsh, with rising unemployment and reductions in welfare spending. It is claimed that the economic hardship was the catalyst for the formation of the Zapatista rebel movement based in the state of Chiapas (Lustig, 1996: 158). To add weight to this it is reported that the standard of living for workers in Mexico is lower than it was fifteen years ago and out of a population of 90 million a half are living below the poverty line (Doyle, 5-3-95).

Following the agreement between the Mexican government and the IMF, it was reported that the Mexican President would 'announce his plan last week without first seeking the traditional agreement of business and labour ... [when pressed] ... officials admitted why not: they would have refused' (Economist, 18-3-96: 65). This decision is particularly salient if one considers that the political process in Mexico has been characterised as one of 'bargaining, negotiations and compromise' (Lindau, 1996: 320). It is noteworthy then that before the IMF had become directly involved, the Mexican government had traditionally entered into dialogue with other groups, and reached agreement upon economic policy based upon wider participation (Economist, 24-12-96). This previous use of dialogue amongst interested groups can in part be attributed to past governments authoritarian tendencies and their ability to control trade-union leaders and industrialists.

Recent moves within Mexico to make the political system more democratic have meant that the government has reduced its degree of control and readiness to resort to violent repression<sup>50</sup>.

Before the peso crisis, the financial markets, private capital sources and the IMF had been demanding democratisation, decentralisation, transparency and accountability in Mexico. The result of this lessening of overtly authoritarian tendencies by the Mexican authorities, might help explain, in part the continuing use of secrecy between the IMF and the Mexican government (see Chapter 2). Secrecy is a useful tool for decision-makers because it does away with the need for more explicit forms of authoritarian control. One implication is that the secrecy between the IMF and the Mexican Government is a direct result of the calls from the IMF for the democratisation of Mexico's political system.

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<sup>50</sup> This is not to say that Mexico is still not an authoritarian state prone to acts of repression; this appears particularly true in view of the failure of the Zedillo administrations to reduce the security forces use of torture (see Lindau, 1996: 307).

Since the crisis it has been reported that private sources of finance have demanded a return to a more authoritarian style of leadership, including high levels of secrecy in political activity (Doyle, 5-3-95). The implication being that a more authoritarian government is required in Mexico rather than a more democratic one (Doyle, 5-3-95). This illustrates two points: firstly, the power of market forces and the IMF to intervene in the governance process; secondly, that transparency can be applied selectively depending upon the circumstances, and in fact can be overridden in the name of effective economic governance.

## **The IMF - Accountable to Whom?**

The Mexican Peso Crisis raises a number of salient issues about the IMF accountability. These issues will be explored more fully in the sections below on the IMF and confidentiality, access to information, institutional secrecy and productive secrecy. Each of these subject areas can inform the discussion about accountability in MGG and the extent to which the discourse of transparency is applied in the IMF.

### *The IMF and Confidentiality*

The IMF is a bank, and like most banks it prides itself on its confidentiality and discretion. An IMF financial package normally takes the form of an agreement between the IMF, the debtor country and the institutions of private finance. Thus, a desire to maintain the sovereignty of its member states as well as the confidentiality of private investors are two reasons why IMF packages have traditionally been shrouded in secrecy. The traditional norm of confidentiality allows the IMF to claim the discourse of transparency without jeopardising its relationship with member states. The IMF is also likely to limit access to the information released by governments in order to avert the possibility of a self-fulfilling prophecy that a poor financial

performance might precipitate (Kapur, 1998: 110). Furthermore the IMF like other banks favours a culture of confidentiality based upon the interests of investors. With the proliferation of private investment in economic development there is increasing concern over whose interests are given primacy in loan conditions: public or private interests (Martin, 1996: 146-147). It has been pointed out however, that the maintenance of this norm of confidentiality leads to the concealment of much information that might otherwise be considered trivial at best or false at worse (Bok, 1982: 117).

This traditional confidentiality versus the desire for more transparency, presents the IMF with something of a dilemma over whether to make known its views or to keep them confidential. For example, if the IMF goes public it could worsen the situation, as markets and investors respond adversely to the changes proposed by the IMF as a condition of the loan. Dobson asserts that 'confidentiality is necessary in exchange rate matters' in order that macroeconomics and structural policies are not undermined (1995a: 231). Alternatively, IMF recommendations made in secret can be ignored more easily by recipient states (Weintraub, 1996: 235).

During the Mexico crisis, the 'rationale for the large rescue effort was that a Mexican default would have adverse repercussions throughout the international financial structure' (Weintraub, 1996: 230). Without the rescue package it has been suggested that the result would have been 'armageddon in emerging markets'. This hyperbole and the threat of financial meltdown provided for some a justification for the secrecy surrounding the rescue package (see section on neutral and functional secrecy in Chapter 2). The IMF considers this justification sufficient for the concealment of information because in keeping certain information concealed, it acted in a responsible manner, safeguarding the region's financial stability. The release of information

might have had a negative impact on the markets and place the Mexican economy at greater risk. Also, confidentiality increases the likelihood of increased private investments and furthermore without confidentiality the Mexican government would not have released sensitive information to the Fund.

This deference to market stability, over increased institutional openness, gives support to the proposition that a shift in authority has occurred from states to markets (see Chapter 1). The IMF was concerned primarily with bailing out those investors rather than any long-term effort to correct the problems in the Mexican economy (Ramirez de la O , 1996: 28). One of the IMF's Executive Directors was reported as making the following statement about the dangers of too much transparency: 'People want more transparency, but it could be dangerous for the government. For example, the government must cut the budget and advance quickly before the situation deteriorates further. Political parties, unions, etc. could retard the process...' (quoted in Bischel, 1994: 160). What the Director appears to be saying is that too much accountability, in the form of openness and the participation of a plurality of groups, poses a threat to the stability of the market.

Not directly concerning the peso crisis but of illustrative value, was the decision of the Swiss government to release the IMF Staff Report relating to its Article IV consultation with the Fund and the IMF's reaction. Members of the Executive Board were very critical, with comments ranging from the Swiss being very brave to their action being dangerous (Bischel, 1994: 159). It is brave in the sense that the release of certain information compromises the relationship between the Fund and its members. The danger exists because too much openness produces a negative effect for the decision-making process. It is suggested by the executive members that release of information should only occur after a period of two or three years

(Bischel, 1994: 160). Implicit within this statement is a continuation of a high degree of secrecy as a necessary part of the functioning of the IMF and its relations with members.

In summary, confidentiality in the practices of the IMF is more usually justified by the benefits to society, respect for its relationship with members and other financial institutions and the maintenance of trust. This justification of confidentiality becomes more problematic if it is used to exclude wider society from the decisions-making process, when it acts as a shield to protect the IMF from criticism and when the principle of confidentiality is applied to cover a wide range of dubious practices.

### *The IMF and Access to Information*

A justification for the right of concealment of information in the relations between the IMF and its member states is often legitimised by the principle of state sovereignty. This assumes that all members as sovereign states are ultimately responsible and not the IMF. This is highlighted in the following: 'I will never publicly say to a country that it must devalue. I do not have the support from my membership or, in particular, from the 179 members of finance of the world, to do that' (Camdessus in IMF Survey, 20-2-95). This 'catch-all' justification helps the IMF to avoid giving access to information. For many cosmopolitan thinkers (see Chapter 1) this apparent deference to sovereignty acts as an obstruction to more inclusive public accountability by reinforcing a state-centred perspective. Therefore, a primary justification by the IMF for restricting access to information is based upon members deciding what information should be released.

In interviews with members of the IMF Executive Board Bischel solicited the following illuminating confession with regard to the institutions view of releasing the detailed information

that makes up the consultation documents: 'After a sufficient period (two to three years), when the programme has been implemented, it ought to be released. Much of the Article IV consultation becomes public through policies that are implemented or through a budget that comes through parliament' (Bischel, 1994: 160). This admission reveals two important aspects of the IMF interpretation of transparency. Firstly, that the public is only fit to see information several years after decisions have been made. Secondly, that transparency exists through the implementation of policies. Of course in both instances, it is too late to challenge the legitimacy of the policy.

The IMF makes much of the confidential relationship between itself and its members; in retaining this position, it fuels the continuation of strategies of secrecy in the domestic political arena. Notwithstanding the desire for openness by the IMF, it is not clear if the information put out 'is not highly selective and at times less than illuminating' (Economic and Political Weekly, 30-1-93: 140). A case in point concerning the Mexico crisis is that of the obfuscated financial package to the Mexican government where only selected information about the IMF rescue package was released and that was challenged as being inaccurate and concealing a hidden-agenda (Fidler, 1995).

A major priority for the IMF is meeting its responsibility to ensure a stable economic order. One means of achieving this is the monitoring of national economies. In order to build trust whereby national governments open their records to the IMF, the institution protects the confidential nature of the records and the formal discussions. A problem with this process is that of selective transparency. Much of the Fund's business is undertaken in private and so it is nearly impossible for the agenda of these meetings to be influenced by external forces.

In part, an explanation for the reticence of the IMF to release information can be constructed around its reluctance to see itself as fulfilling more than a functional need, rather than one where it has real political power. The IMF justifies its lack of consultation with groups other than governments by the principle that to intervene between a government and its people would be a political act. By emphasising its technical surveillance role over any overtly political agenda, the IMF shifts responsibility away from itself and onto the national government.

### *The IMF and Institutional Secrecy*

The Mexican crisis supports the idea that institutional secrecy within the IMF remains strong and that the transmission of the rhetoric of transparency to something more substantive is weak. The lack of substantive or external transparency from the IMF over the Mexico crisis needs to be put into the context of the earlier stated aims of the IMF with regard to transparency. The IMF is caught in a difficult position concerning the concept of openness; openness presents the possibility of increased legitimacy, while secrecy remains an institutional characteristic.

Although there appears to be a cloak of concealment pervading the IMF, the organisation has not shied away from encouraging the principle of transparency in its rhetoric. Indeed, the IMF has embraced the principle of transparency as being of great value. It has been made clear that this was not to be at the expense of other principles, like confidentiality. Thus there appears to be an on-going tension over whether transparency will manifest itself in the IMF and its operations.

Because the IMF expects greater openness from its members to avoid events like the peso crisis, it should therefore, reciprocate by itself being more transparent in its operations (Elliott,



11-5-98). Without reforms to reduce secrecy Elliott believes that the IMF will find it difficult to reject the arguments that the IMF is best suited to defending the interests of global capital rather than protecting those most directly effected by its policies. The legitimacy of the institutions is brought into question because without adequate levels of transparency and accountability, trust in the institution is low. Cooper believes that more openness will lead to greater criticism; the outcome of this will be enhanced IMF legitimacy as well as improved analysis of situations by the IMF (1995: 28).

### *The Role of Productive Secrecy*

In Chapter 2, I described how productive secrecy acted to reinforce a particular ideological view whilst excluding other interpretations of events. In this case productive secrecy acts to protect the IMF's structural adjustment programme from criticism and being undermined by a lack of public support. It has been suggested that the failure of the IMF's surveillance and policy recommendations contributed towards the peso crisis (Martone, 1996: 53). By utilising strategies of productive secrecy to help gloss over failures, it helps protect the traditional IMF model of economic development even when those policies might be making matters worse in fragile economies.

The rhetoric of transparency that exists within the IMF can be explained as a 'smoke screen' which in reality hides productive secrecy. Productive secrecy can work to reinforce a particular position whilst denying alternative approaches. For example, Camdessus has stated that a major risk is: 'the possibility of the more rapid marginalisation of countries that fail to integrate themselves into the globalised economy, and associated with this, a growing divergence between the regression of living standards in those countries and rapid progress in others' (IMF Survey, 20-3-96). Integration into global markets underpinned by the neoliberal orthodoxy

supports the idea that there is no alternative and that in economic policy-making at least states are unable to counter market forces. This reflects the IMF's normative role; to promote and foster those policies known as 'liberal internationalist' (Pauly, 1994: 204). What this amounts to is a set of dominant beliefs and values that put market based solutions to economic issues before all others and to the exclusion of other views.

The effect of this is to give the appearance of openness with strategies of productive secrecy acting to privilege certain information, whilst diverting attention away from closer inspection of the nature and quality of the information released (see Bok, 1982: 115). The logic of productive secrecy means that it is far more difficult to determine what is true, accurate and complete and what is not. The ideological congruity of the IMF's neoliberal agenda is enhanced by the rhetoric of transparency because the appearance of openness allows the institutions to claim legitimacy for their policies without being subject to full public accountability.

On one hand the rescue bid succeeded in its stated aims and the Mexican economy is now more stable with evidence of a trade surplus. The latter has been achieved largely by the falling value of real wages helping Mexican companies to be more competitive in the global market (Weintraub, 1996: 230). On the other unemployment has risen dramatically with an additional 0.5 million unemployed in 1995 compared with 1994, the effect of which is increased social degradation and economic hardship with the Mexican people suffering most (Weintraub, 1996: 231; Strange, 1998: 98). This despite the IMF's claim that the Mexican rescue package contained measures to protect the poor from the negative effects of the restructuring (IMF Survey, 20-2-95).

## Conclusion

The discourse of transparency within the IMF is bounded by contradictory statements. As indicated above, the IMF makes much of its legitimate right to conceal information due to the confidential nature of its relationship with its members, their rights as sovereign states and the fragile nature of market confidence. There are however those within the IMF that claim it is a more open and accountable institution than it has been in the past due to its policies on transparency. From the evidence of the Mexican Peso Crisis this transparency is at best ambiguous, and at worst the means for the IMF to obfuscate its actions from direct criticism and public accountability.

This ambiguity over the discourse of transparency and continuing prevalence of secrecy is only part of the story. Within the IMF secrecy emerged in many different forms, most notably institutional secrecy, which critics maintain transformed itself into productive secrecy. This is manifested by the presentation of the peso crisis as due to global forces, beyond the control of states. Whereas many critics blamed IMF policies in restructuring the Mexican economy as at the root of the problem. The Mexican Peso case suggests that the IMF is responsible for a high *degree of institutional and productive secrecy. This highlights the limits of the discourse of transparency as a means for holding the IMF to account. As a consequence, critics question the legitimacy of the IMF which in turn undermines the institution's authority. At the moment the IMF relies upon the rationale of effective governance, and its influential position in underpinning financial rescue packages, to avoid the need for increasing its legitimacy. To increase accountability would require a significant increase in transparency. This would need to include enhancing the quality and quantity of the information released by the IMF, public participation by interested parties, and the establishment of a publicly accountable evaluation unit to monitor the fund's activities (Halifax Initiative, 1995: 40).*

## **Chapter Five**

### **The Group of Seven and the Halifax Summit**

The Group of Seven (G-7)<sup>51</sup> is a collective of the seven most economically powerful states in the world. Its aim is to act as a forum for the management of global economic and political matters. According to Lewis the G-7 offers the capacity for effective multilateral governance that other institutions cannot offer due to its membership being limited to the most powerful states (1991: 25). The authoritative role of the G-7 is reflected in the knowledge that ‘the understandings reached by the G-7 are followed through in wider international organisations and give impetus to their work’ (Bayne and Putnam, 1995: 3). In this way the G-7 plays an important role in shaping both the global agenda and the implementation of policy by other institutions of MGG. As a consequence of this authoritative position the issue of accountability is a critical concern for many critics of the G-7 (Woodroffe, 1995: 8; Falk, 1995: 1).

A discourse of transparency is implicit within the rhetoric of the G-7 and is reflected in the G-7’s ‘common values’ of co-operation between states underpinned by democratic principles (Lewis, 1991: 26). As with other institutions of MGG, at the core of the G-7 are the principles of good governance (see Chapter 3). The principles of accountability, transparency and participation have been voiced in G-7 communiqués<sup>52</sup> and underpin a normative preference for the governance of the political and economic spheres. This apparently positive view of

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<sup>51</sup> The seven are: USA, Canada, Japan, Britain, France, Germany, Italy. Since 1995 Russia has begun to play a role in political discussions. However, the G-7 to date have resisted demands by Russia for full membership.

<sup>52</sup> ‘A higher quality of life for all people is the goal of sustainable development. Democracy, human rights, transparent and accountable governance, investment in people and environmental protection are the foundations of sustainable development.’ (G7 Communiqué, 1996: 1).

openness adopted by the G-7 is contested by critics who accuse it of being a secretive and exclusive body. From this perspective the primary aim of the G-7 is to shape a world order that reflects the interests of its members rather than a wider set of concerns (Archibugi and Held, 1995: 4; Budhoo, 1994: 13; 15; Chomsky, 1994: 178-79).

This chapter is divided into four sections. The first introduces the origins of the G-7 and the development of the summit process. The second section concentrates upon three different views of the G-7. The third looks at the Halifax Summit to see what this particular case can tell us about the nature of G-7 governance. The final section is an analysis of the Halifax Summit and explores the different dimensions of transparency and secrecy to see if the summit process facilitate or inhibit increased accountability.

## The Origins and Development of G-7 Summitry

The origin of the G-7 summitry stems directly from the global financial crisis of the 1970s and the failure of the Bretton Woods system to deal effectively with it<sup>53</sup>. The economic turmoil at this time was characterised by the collapse of the Bretton Woods monetary system, the oil crisis and global economic recession (Putnam and Bayne, 1984: 7: 11-14). There was also a growing realisation amongst the leaders of the industrialised states that they could not insulate themselves from the vagaries of the world economy and the expansion of global financial markets (Helleiner, 1994: 163). Due to the relative economic decline of the USA and the increasing economic power of Europe and Japan, it was believed that the USA could no longer be expected to be solely responsible for the management of the global economy (Putnam and Bayne, 1984: 7-8). By combining their collective influence the members of the G-7 hoped to be able to regulate these burgeoning global financial markets. The G-7 would address capital

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<sup>53</sup> For a fuller account of the crisis see: Armstrong, Glyn and Harrison, 1991: 221-231.

controls and take action to prevent world economic slumps through the co-ordination and re-alignment of national exchange rates (Webb, 1994: 183-4). The broad aims of the G-7 have been characterised as the three C's: 'convergence, co-operation and co-ordination' (Dobson, 1991b: 3). The G-7 summits have been described as: 'the main place at which the most powerful states of the industrial world could discuss and co-ordinate their broad interests and policies. The G-7 and the summits became the governing board of what might be termed the global concert' (Smyser, 1996: 329).

From its inception, a central concern amongst the G-7 participants was to avoid the general trend they perceived towards the bureaucratisation of international organisations. There was a growing belief amongst the leaders of the industrial world that the institutions of MGG had been made ineffective by the increasing power of developing states. Some believed that the expansion of members had contributed towards these institutions becoming stagnant and lacking in leadership (Putnam and Bayne, 1984: 8). This reflects the argument deployed in Chapter 2 regarding the efficacy of functional secrecy made by commentators such as Luard who argued for less publicity and more effective decision-making in MGG.

From the beginning it was envisaged that the G-7 would be a small informal group which would meet privately. The idea for a gathering of political leaders of the industrialised world was the brainchild of Chancellor Schmitt of Germany and President d'Estaing of France. They envisaged the G-7 as a 'direct, unscripted, unbureaucratic exchange between a few heads of governments' (Bayne, 1995: 494). This exclusivity was reflected in the group initial meeting place, the White House Library. It was hoped that the limited membership of the G-7 would make it a more effective decision-making forum than other forms of MGG.

The scope of the G-7, over time, has evolved from a forum primarily limited to finance ministers to one where heads of state meet to discuss wider political, social and economic issues (Smyser, 1996: 328). This extension of its authority has been reflected in the closer attention paid to G-7 summits, which are now high profile media events. An indication of the G-7's changing scope has been voiced in a suggestion that 'the G-7 summit has assumed a function that the founders of the United Nations (UN) had originally envisaged as the role of the UN Security Council' (Smyser, 1996: 329). This view of the G-7 as more important than the Security Council is supported by the fact that the G-7 includes both Japan and Germany: 'the G-7 is the institution that [can] make the most important security as well as economic decisions' (Smyser, 1996: 329).

## Competing Interpretations of the G-7

The G-7 is unique amongst the multilateral forums of economic global governance, and it has been described as both '... an institution and an anti-institution ...' (Bayne, 1995: 494). Unlike other mechanisms of multilateral global governance the G-7 has no secretariat, no headquarters and no official rules or procedures (Bayne and Putnam, 1995: 2). As one commentator has observed the quasi-governance role of the G-7 is reflected in its quasi-institutional manifestation (Merlini, 1994: 5). These anomalies present difficulties in establishing the exact institutional nature of the G-7; this is further compounded by a wide range of formal and informal practices (Baker, 1996: 3). It is perhaps not surprising then that a number of different interpretations of what the G-7 is, and should be, have developed. It is to these that I turn next to see how they contribute to the issue of accountability and the G-7.

## *Personalisation Versus the Institutionalism of the G-7*

Key to the G-7's institutional framework are its annual summits, which have become the principal forum for policy formulation and dispersal. As already noted, the summits place emphasis on informal discussions between heads of governments as a means to enhance co-operation. The most comprehensive survey of summitry has been undertaken by Robert Putnam and Anthony Bayne in their work '*Hanging Together: Co-operation and Conflict in the Seven Power Summits*'. The authors attempt to explain through the application of game theory why the G-7 has emerged and persisted over time. They seek to explain how co-operation can be achieved by rational actors, why participants behave in a certain manner and *how this behaviour can be reconciled with the objectives of the G-7*. The limited membership of the G-7 acts to encourage greater frankness of participants, safe in the knowledge that their dialogue will remain confidential. In addition, this closeness makes it more difficult for participants to 'free-ride' and so encourages participants to adopt a strategy based upon co-operation (Baker, 1996: 17).

As already indicated above, for some, the advantage of the G-7 summit is its personal nature. It is a forum that allows for '... frank, compact, spontaneous ... exclusive, anti-bureaucratic [dialogue]...' (Bayne and Putnam, 1995: 2). Participation is limited to a very small group, normally only heads of government with a single adviser whilst on occasions this may expand to include a foreign or finance minister. Preparation for the summits is traditionally limited to a small group of participant government bureaucrats (officially known as sherpas<sup>54</sup>) and governmental ministers. The critical point is that the success and effectiveness of the G-7 is said to depend upon limited participation. The defining feature of a G-7 summit is that: '... it

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<sup>54</sup> This term was adopted in reference to summits and the well known ability of Nepalese sherpas to navigate the mountains of the Himalayas under difficult circumstances.



should be small, select, and personal. It should be limited to countries that carried weight and influence. It should bring together those directly responsible for policy' (Putnam and Bayne, 1984: 17). It is believed by those that advocate this format for the G-7 that this type of relationship is essential for the effective and efficient management of the global economy (Smyser, 1996: 331).

This personal dimension to the G-7 makes it more flexible in its operations than other forms of MGG and it is argued that any further formal institutionalisation of the G-7 processes would be detrimental to this. Critics have reasoned that due to the limited number of participants at the G-7 it is unrepresentative of 80 percent of the world population (Falk, 1995: 170). To those however, who favour maintaining the personal aspect of the G-7 view this limited membership as an advantage. So whilst critics argue that the G-7 requires opening up, supporters of the current system contend that its very existence depends upon its exclusiveness. This point is important because 'by definition the G-7 is a very exclusive club [whilst] ... the impact of its decisions [are] inclusive.' (Parry, 1994: 11)<sup>55</sup>.

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<sup>55</sup> An indication of the G-7 exclusivity is reflected in the narrow list of key participants at the 1995 Halifax Summit, who were as follows:

**Heads of State:**

U.S. President Bill Clinton  
 Japanese Prime Minister Tomüchi Murayama  
 German Chancellor Helmut Kohl  
 Italian Prime Minister Lamberto Dini  
 Canadian Prime Minister Jean Chretien  
 UK Prime Minister John Major  
 French Prime Minister Jacques Chirac  
 Russian President Boris Yeltsin [included for the political discussions only]

**Foreign Ministers:**

U.S. Secretary of State Warren Christopher  
 Japanese Foreign Minister Yohei Kono  
 German Foreign Minister Klaus Kinkel  
 Italian Foreign Minister Susanna Agnelli  
 Canadian Minister of Foreign Affairs Andre Ouellet  
 UK Foreign Secretary Douglas Hurd  
 French Foreign Minister Herve de Charette  
 Russian Foreign Affairs Minister Andrey Kozyrev

**Finance Ministers:**

U.S. Treasury Secretary Robert Rubin  
 Japanese Finance Minister Masayoshi Takemura  
 German Finance Minister Theo Waigel  
 Italian Finance Minister Augusto Santozzi  
 Canadian Finance Minister Paul Martin  
 UK Chancellor of the Exchequer Kenneth Clarke  
 French Economy Minister Alain Madelin  
 Russian Finance Minister Vladimir Georgiyevich Panskov

Conversely, others see this personalisation of governance and informality as a weakness. They believe that the G-7 would be better placed to assert its authority if it had an institutionalised bureaucracy that would enable it to follow through decisions made at summits. From this perspective the perceived benefits of informality and personal contact are portrayed as weaknesses. For example, the limited number of meetings and the lack of a permanent headquarters means the G-7 lacks mechanisms of accountability (for example, there is no institutional memory apart from the communiqué). It is claimed that without such means of accountability the G-7 lacks the legitimacy to deal effectively with global issues and is constrained by domestic political pressures (Bergsten, 1995: 16).

Sensitive to the criticism of being a closed group the G-7 over the period of its existence has gradually begun to change from the original conception of small informal meetings, to include a wider range of participants. For example, since the Halifax Summit in 1995 steps have been taken to include the representatives of other multilateral institutions (the IMF and World Bank) in the summit dialogue. However, critics still maintain that this is very much a restricted group, and worse still the nature of the participants continues to reflect and reinforce a narrow set of views and interests (Muzaffer, 1994: 20-23).

In summary, there is a split between the European tradition, characterised by 'cosy chats' between world leaders, and the United States' view of the G-7 as a more results-orientated

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Sherpas:  
 U.S., Daniel K. Tarullo  
 Japan, Aduki Hayashi  
 Germany, Jurgen Stark  
 Italy, Ambassador Sergio Vento  
 Canada, Gordon Smith  
 United Kingdom, Alex Allan  
 France, Jean-David Levitte  
 Russia, ———  
 (The Bureau of National Affairs, 1995: 10)

organisation, with a stronger institutional framework (Putnam and Bayne, 1984: 25). In the context of the main themes of this thesis this distinction also raises issue for transparency and G-7 accountability. The personal approach is considered a more effective means of governance by members of the G-7, it is high in internal transparency but depends upon self-regulation as to what is and is not released into the public domain. Critics believe it lacks the mechanisms for accountability and public scrutiny that could be generated by an institution with a more formal structure.

### *The G-7, Global Leadership and Functional Secrecy*

The members of the G-7 act as a global concert discussing matters relating to the entire world and take upon themselves the responsibility that this entails. However, it has been pointed out that the nature of this responsibility is 'difficult to establish because responsibility may be defined in different contexts?' (Shaw, 1996: 10). In the context of the G-7 the primary purpose of a summit is to display global leadership and authority in the management of the world's economic and political affairs. It is this desire for effective governance that provides the justification for G-7 summits remaining as exclusive small meetings of world leaders.

Advocates of the current G-7 format believe that a central value of a summit is its format of confidential conversations. From its beginnings these have been central to the summit, President Giscard d'Estaing made it clear: that they should be '... a matter of conversation between a very few people and almost on a private level' (quoted in Bayne and Putnam, 1995b: 1). From this perspective it would appear that the needs of global leadership are incompatible with greater levels of transparency and accountability.

This is reinforced by those that argue that the G-7 can be most effective by remaining a closed institution. Some critics believe the G-7 has become too public. For example, Smyser has described the meetings of G-7 finance ministers as ‘their nadir of futility’ (1996: 334) due to their inability to reach a decision on the management of the global economy. To become more effective Smyser reasons that the G-7 needs to keep to its original format of the original Library Group ‘[where] the summiteers can talk quietly and informally far from the glare of publicity’ (1996: 338). Thus, implicitly he argues for more secrecy and less transparency in order for the G-7 to remain an efficient decision-making body. This is reinforced by Wendy Dobson who observes that ‘as participants in the Group of Seven have found, informality and frankness are the most valued aspects of the process, yet these attributes tend to decline as the size of the group increases’ (1995a: 232). Thus there appears to be positive aspects to excluding wider participation in the decision-making process. Similarly, the benefit of maintaining limited membership of the G-7 is that as a smaller unit it is more effective in dealing with the management of economic globalisation (Bayne, 1995: 494).

This desire for concealment by the G-7, in its operations, raises a pertinent question: how much secrecy can be justified? On one hand the G-7 proclaims the benefits of greater openness; the 1995 Halifax Summit (see below) agreed to reform the institutions of MGG into more open and accountable institutions. On the other there exists a presumption for functional secrecy to ensure the most effective workings of the G-7. What remains to be seen is whether this functional secrecy acts to mask other political and ideological motives.

### *The G-7 and the Internationalisation of the State*

The issue of accountability in MGG is closely connected to what has been described as the internationalisation of the state (see Introduction and Chapter 1). It has been suggested by some

commentators that a shift has occurred in the location of political authority from the national to the global. This reconfiguration of authority has resulted in a convergence of economic and social policy around a neoliberal-economic agenda. Described as 'disciplinary neoliberalism', it is disciplinary in the sense that those countries that do not follow the remedies and actions advocated by the neoliberal model are punished. Advocates of this model believe that the G-7 plays an important role in reinforcing the authority of markets and a set of narrow neoliberal policy objectives (Cheru and Gills, 1997: 154).

According to Gill, disciplinary neoliberalism has come about due to 'a phenomenon which partly involves a range of political and institutional responses to the internationalisation of economic activity' (1990: 4). The G-7 plays a key role acting as a conduit between the formal and informal, its primary role to manage the global world order, described by Gill as the 'new constitutionalism'. This is 'the political project of attempting to make transnational liberalism, and if possible liberal democratic capitalism, the sole model for future development' (1995: 412). Gill believes that the G-7 Summit at Halifax illustrated the manner by which the G-7 creates the conditions to achieve this: 'G-7 leaders opted to strengthen surveillance mechanisms under the aegis of the IMF, World Bank and BIS [Bank of International Settlement], after the failure of the existing methods of surveillance was revealed by the Mexican financial crisis of 1994-5' (1995: 413). By reinforcing the authority and regulatory power of institutions of MGG it makes it difficult for dissenting voices to be heard.

By contrast, from a neoliberal-institutionalist position the effectiveness of the G-7 is played down as a forum for MGG. For example, the result of the Louvre Accord in 1987 was that the G-7 was unable to 'impose order on the international monetary system' (Gallaroti, 1997: 385). The G-7 is presented as the mere aggregate of seven individual voices without a coherent

strategy. This undermines the policy effectiveness of the G-7 and 'economic co-operation among the G-7 has ... had a history of ineffectiveness because it has remained open to and encouraged domestic and foreign policies that are inconsistent with the intentions and spirit of substantive economic policy co-ordination' (Gallaroti. 1996: 400). From this perspective the markets are the key issue and the accountability of the G-7 is a marginal concern.

The G-7's ability to act as disciplinary mechanism is also disputed by Merlini who portrays the G-7 as a benign organisation: 'its role is not one of government, but one of distributing tasks and indicating rules in moments of crisis ... ' (1994: 25). Thus to write about the G-7 as a key component of global hegemonic forces as Gill and Cox might be an overstatement of its authority and utility. This is especially so if we consider, as many do, that the G-7 summits are at best a limited form of co-operation between the most powerful states in the world. As Silvestri points out: 'As a system of global government, the G-7 is particularly lacking because it does not have a universal membership, its highest decision-making body meets only once a year, and, most importantly, it has no mechanism for implementing the policies it sets out' (1994: 28). However, to deny the G-7 a central job in multilateral global governance is to ignore the "G-7 paradox"; whilst the G-7 may have limited power, its demise could easily lead to mayhem in the global economy (Garavoglia and Padoan, 1994: 56).

Others prefer to see the G-7 as a kind of global directorate involved in the informal co-ordination of global affairs (Held and McGrew, 1993: 272). For example Held observes that what was remarkable about the 1987 financial crisis was the speed with which the G-7 countries reacted to the crisis and arranged a collective response (1995: 129, n4). A global type of governance transcended a fragmented national response, and public policy-making took on a global complexion, with the G-7 co-ordinating other MGG (1995: 259). This view is reinforced

by Agnew and Corbridge who argue that it is only through the institutionalisation of the G-7 that states are able to regulate the global economy (1995: 195). At the G-7 in Naples in 1994 participants widely acknowledged that financial markets had become more powerful. This however, was not perceived as a negative development, and commentators have noted that the economic crises in Mexico 1994/5 merely needed to be managed by more effective economic institutions of global governance (Hutton, 11-7-94).

In the post-Cold War era the G-7 is positioned to work out the rules of a new world order, hence the notion of a G-7 directorate (Lewis, 1991: 25). In this role the G-7 has taken responsibility for the governance of the global economy and in this important sense has come to represent the internationalisation of political authority. Thus, the power of the G-7 is in setting and co-ordinating the economic agenda, which is then reflected throughout the world. The G-7 has gained in influence by strengthening the surveillance mechanisms of the IMF and the World Bank, and second, by subordinating other international organisations to a global order shaped in a hierarchical relationship with the G-7 at the top (Silvestri, 1994: 29).

Thus there are a number of different interpretations of the G-7 and its role in MGG none of which are conclusive. All raise issues for the role of accountability in the G-7's operations. Whether the G-7 represents the internationalisation of disciplinary authority in the sense that Gill understands it or whether it is more benign but still acts as a global directorate the actions and policies of the G-7 remain a focal part of MGG. However, the three perspectives fail to assess the issue of accountability in any depth, the role of secrecy and the nature of transparency. It is with this in mind that I now look at the G-7 Summit in Halifax 1995 to see what light empirical detail can throw upon the issue of G-7 accountability.

## The 1995 G-7 Halifax Summit

### *Background to the Summit*

The 1995 summit in Halifax, Canada, was portrayed at the time as being of great significance because it was to be the first in the cycle of summits that would take the G-7 into the new millennium. It was described as occurring at a 'critical global juncture', in which the G-7 would need to begin to confront the changing reality of the post-Cold War era<sup>56</sup>. This view of the Halifax Summit was reinforced by the host country who presented the summit as taking place at an important historical moment occurring as it did : '50 years after the founding of the United Nations and the establishment of the principal post-war Bretton Woods financial institutions ... and only five years from the coming challenges of the 21st century' (Canadian Government Report, 1995: xiii).

Much of this could be dismissed as end of millennium hyperbole. However, the Halifax Summit does appear significant for a number of reasons, not least the recognition of increasing significance of globalisation and the recommendations made for the reform of the Bretton Woods institutions. Taking place from the 15 to 17 June 1995 it has been dubbed the 'Chevrolet Summit' - a car renowned for its cheap and reliable nature. This 'value for money' mentality was something that the organisers of the Halifax Summit aspired to re-create after years of increasing costs and perceived inefficiency at G-7 summits (Hirsh, 26-6-95). It was an attempt to get back to the summit's original *raison d'être*, and small-scale, informal talks. After years of growth, both in terms of its political and economic ambition, and as a public spectacle, the summits were becoming more of an opportunity for politicians to impress their domestic audience rather than an opportunity to implement global policy. The Halifax Summit was an attempt to halt or reverse this trend.

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<sup>56</sup> The first three cycles were 1975-1981; 1982-1988; 1989-1995



In part, the choice of Halifax was ideal for the purposes of 'down-sizing'. It is remote from the usual centres of population where G-7 summits have tended to take place. The choice of venue has been interpreted in other ways: for example, the relative remoteness of Halifax compared with other G-7 summit locations was a powerful reminder of the G-7's original purpose, namely '... to secretly manipulate the global economy...' (Hirsh, 26-6-95). Thus, the choice of Halifax was a move towards making the G-7 a less public but more effective event. Holding the summit there would allow the proceedings to remain relatively closed and in a more easily manipulated environment.

### *The Halifax Summit and NGO Access*

A wide range of NGOs have increasingly attempted to influence events surrounding G-7 summits. The aim of these organisations has been to force the G-7 to take account of a wider range of policy issues as well as trying to encourage the G-7 to adopt a more inclusive form of decision-making. According to Guttry (1994: 68) there are five mechanisms in the structuring of a summit; the two that are most relevant to access by NGOs are the preparatory stage and the summit proper. The preparatory phase is when the initial preparation of issues and documentation for discussion at the summit is undertaken. The actual summit itself is where the participants meet and a final communiqué produced which records and reveals the outcome of the summit.

The preparatory phase of the summit process is for many the critical element of the decision-making process, whereas the summit itself is largely a public photo-opportunity for the heads of state. Traditionally during the preparatory stage the role of the sherpas is central in setting the agenda and in shaping the contents of the final communiqué. During this period individual

countries have the opportunity to give access to information and include wider participation by non-governmental groups. For example, in 1995, Canada, the host country, engaged with a degree of openness with NGOs that had not been seen before in the preparatory stage of a G-7 summit (Round, 1995b). For the first time, and unlike other participating governments, the Canadian Government allowed NGOs access (with inclusion in the Parliamentary Standing Committee) which, in collaboration with the other members of the G-7, was to determine the agenda for the summit. Despite the NGOs being invited to participate in this preliminary phase, there were strict limits on the extent of this. Once NGOs views had been solicited by the Committee, the actual formulation and wording of the communiqué was not an inclusive or public process (Round, 1997b). Thus participation and openness did not extend to the final communiqué itself; there were no drafts for the NGOs to comment upon; information flowed one way, from the NGOs to the sherpas, and the NGOs were not aware of what influence, if any, they had upon the final communiqué and agenda (Round, 1997b).

Just before the Halifax Summit the draft final communiqué was leaked, much to the embarrassment of the Canadian Government<sup>57</sup>. Those who leaked the report saw it as an opportunity to embarrass the G-7 by revealing what it would not contain before the summit had started. The leaking of the communiqué also challenged the general secrecy that surrounded it. Once the contents were out in the open it offered the possibility for the communiqué to be challenged. It would enable the NGOs to challenge and lobby the participants as well as try to get public opinion on their side through the media.

From the perspective of the Canadian government and other G-7 members the leak was perceived as undermining the governance process. It was suggested that leaking the

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<sup>57</sup> The draft communiqué was released by the Canadian New Democratic Party.

communiqué was irresponsible and, although it was only a draft, it highlight differences between the participants. Ultimately it could make the resolution of these differences more difficult (Financial Times, 8-6-95). This condemnation of the leak reflects the view that the G-7 functions better as a governance institution when its deliberations are kept private and free from the public's gaze.

This incident highlights the ambiguity that informs any analysis of transparency. It is presumed by some (see Bobbio Chapter 3) that openness is in the public interest. However, greater transparency may lead to a worse outcome than would have occurred if all the information in the communiqué had been kept concealed until the summit was completed. Because of the leak, it was observed, 'The G-7 leaders will go to Halifax aware that journalists and analysts will be able to draw up lists of supposed winners and losers based upon a comparison of the leaked document and the final text' (Norman, 8-6-95). Whilst critics of the G-7 could argued that this might encourage participants to address these issues more directly and effectively, conversely it might mean that they become more reticent and defensive as a response to greater openness.

The NGOs attending the Halifax Summit drew attention to their desire for greater participation by staging a parallel event variously entitled the P-7 , Peoples Summit and The Other Economic Summit (TOES)<sup>58</sup> . This alternative shadow event had been organised by a coalition of NGOs to act as a voice for those excluded from the G-7 summit process and '...to tell the G-7 leaders what we think the G-7 agenda ought to be' (Broadbent quoted in Summit News, 1995a: 3). To be able to do this more effectively what is required is 'openness, transparency and access' (Summit News , 1995b: 4). One NGO representative from the Canadian Coalition

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<sup>58</sup> The P7 is made up of a wide range of concerned social and economic groups.

For Global Economic Development reported, however, that 'very little is transparent - we talk to bureaucrats and hope our concerns are heard' (Round, 1997a).

There is no formal processes or lines of communication between the NGOs and the officials of the G-7. An example of the gulf between governments and NGOs is reflected in the observation of Round, who commented: 'the closest we got was waving at Bill Clinton as he drove past' (10-9-97b). It is reported by Parkin (1996) that as a result of this exclusion the political strategy of the NGOs is changing. Some NGO actors go as far as to claim that involvement in the summit proper is no longer a priority. Higher up the agenda is a desire to get their message over to a wider public audience (1996: 5). It is claimed by Round that the G-7 summits, as a focus for NGO opposition, are now becoming irrelevant. This is compounded by the realisation that there is no institutional means of ensuring G-7 accountability. The NGOs reason that because there is no institutionalised system of checks upon what has been achieved by the G-7 from one summit to the next, there can be no measure of progress, or effective accountability (Round, 1997b). Therefore, at the summits the main concern of the P7 is to create a hostile presence and thereby increase the pressure upon the summit participants to reach an accommodation (Falk, 1997a: 23). As it stands there is no real access, no participation by NGOs and it therefore undermines the idea of accountability through openness in governance and public participation in the policy-making process.

## **The Halifax Summit and the Discourse of Transparency**

### *The Reform of the Bretton Woods Institutions*

The Halifax Summit concluded by agreeing a wide range of initiatives one of which was an agreement to look at reforming the institutions of MGG to make these institutions more

transparent and accountable. The political will for the reforms stemmed from the end of the Cold War and the increasing importance of economic globalisation. As Bayne (1995: 500) reports, there was a growing belief amongst the participants that the G-7 could improve its legitimacy, and its influence, if it acted with openness internally and with regard to the views of others. By adopting a more inclusive and open approach it is argued that the G-7 could become a more effective mechanism of global governance. Therefore, the attempts to reform the institutions of MGG needs to be examined to see what it can tell us about the rhetoric of accountability and the discourse of transparency adopted by the G-7 at Halifax.

The moves towards the reform of MGG started in the year before Halifax, at the Naples summit and many believed that the Halifax Summit would be the next step towards the creation of a new post-Cold War economic and political order (Hutton, 19-6-95). There was a consensus emerging amongst the leaders of the G-7 that the world has changed and that the institutions for its governance need to be reformed to reflect this changing world. The Halifax Summit was to be the event where the muddling towards a new global order was replaced with a set of coherent institutional reforms (Putnam, 1994: 91).

This desire for reform was reflected in the official communiqué from the Halifax Summit with a reference to multilateral institutions becoming more accountable and more transparent (Norman, 8-6-95). The need to reform the IMF and the World Bank was also reflected in the preparatory report of the Canadian House of Commons Standing Committee for the Halifax Summit. It was suggested that the top priority on the G-7 agenda was to 'redefine the essential future role of the Bretton Woods institutions and, consistent with that, making them as efficient and democratically accountable as possible' (1995: xiii). This report suggests that, at least amongst some participants, the idea of public accountability would be given serious attention.

Critics had argued that because the G-7 defines the policies of the World Bank and IMF, the charge is that the G-7 is responsible for: ‘... conducting World Bank and IMF negotiations and other activities in a covert manner, relying on secrecy to preclude criticism and opposition, a set of practices that are anti-democratic in their essence and contrary to the spirit of transparency’ (People’s Tribunal 1994: 135).

A key aim outlined in the G-7 communiqué was for the reform of MGG for the good of the world as a whole (G-7 Communiqué, 1995a: 2). One aspect of this ‘for the common good’ approach was the strengthening of the IMF’s surveillance role particularly after the Peso Crisis of 1994 (see Chapter 4). Transparency and surveillance in the IMF is related here to top-down transparency (see Chapter 3) and reinforces the case that the G-7 is responsible for organising a new constitutionalism. Another was the reform of the World Bank through ‘emphasising participatory development by collaboration with non-governmental organisations and the public’ (G7 Information Centre, 28-5-97). Here the case for greater transparency from below is being made and suggests the possibility for the enhanced accountability of the G-7.

Thus we can see in the G-7’s proposals for the reform of MGG at Halifax, the issue of transparency was dealt with in two senses; political and economic. In the political sense, it was suggested that the IMF and World Bank needed to be made both more accountable and transparent. In the economic sense, the G-7 communiqué emphasised the prevention of economic crisis through improved surveillance. There is explicit acceptance by the G-7 in its communiqué that the release of information was a critical component of transparency with the need for ‘fuller disclosure of ... information to market participants’ (Communiqué, 1995: 3). One conclusion that can be drawn from this is that the increased transparency the G-7 desired was motivated by market considerations and not increased public accountability.

It is claimed that one means to increasing transparency that does not involve risking sensitive aspects of MGG is that whereas ‘the dialogue may be private ... if the overall framework within which it is taking place is open then analysts may see the warning signals for themselves’ (Corrigan in Report, 1995: 22). By contrast, critics of MGG believe that more public accountability is required, rather than less, and that there is crucial information that needs to be made available to the public. From the evidence of the Halifax Summit and the general exclusion of NGOs it would appear that a bottom-up transparency still remains a peripheral concern for the G-7.

In Chapter 3 I discussed how transparency cannot be understood as universally applicable and that it is open to interpretation. For example, there is a distinction that is made between transparency as it applies to the World Bank as opposed to the IMF. The G-7 communiqué stressed that the World Bank required ‘reforms that assure transparency and public accountability’ (Communiqué, para 26, p5). Whereas, for the IMF, it states: ‘wherever feasible, the Fund should be more open and transparent in its assessment and policy advice’ (Background doc, para 4, p6). In the G-7 summit report, whilst encouraging participatory development, it is made clear that participation, where it exists, refers to the relationship between governments and their people. It does not refer to the G-7 as a collective forum of MGG that requires wider access in its own right. The apparent desire for greater accountability, transparency and participation, is contested by critics who argue that practice within MGG undermines this possibility.

In addition to this, Helleiner (1995:76) writes that whilst the G-7 is to undertake a review of the Bretton Woods institutions, this review is limited to so small a group of states that it will lack

legitimacy. To be seen as a genuine reform of the Bretton Woods institutions, in the best interests of all, wider participation is required, rather than being restricted to a narrow group.

This is reinforced in the following observation:

‘One of the most striking contradictions of the structural transformations associated with so-called globalization is the extent to which its linkages are confined to one-third of the planet’s population and the nations of the OECD and G-7 member countries. This is the extent to which globalization is a North-North, not a North-South Dialogue’ (Ferguson, 1992: 73).

This North-North dialogue is a feature of the G-7 and where decisions can be viewed as reflecting the interests of the members rather than the interests of the planet as a whole<sup>59</sup>. The point has been made that the reform of international institutions requires the assent of countries and peoples not represented by the limited G-7 countries. Productive secrecy plays an important role legitimising the actions of the G-7 and excluding alternative perspectives from the political agenda. Critics believe that a more representative selection of countries should attend the G-7 summits. In addition, others would like to see increased representation to include NGOs and other groupings in order to increase legitimacy.

Due to the argument for greater transparency at the Halifax Summit it would not be unreasonable to have expected the next summit in Lille 1996 to be more open. However, the new openness simply amounted to the inclusion in the summit process of the heads of other international organisations. This increased participation comprised of the heads of the IMF, the World Bank, the World Trade Organisation who were there to provide advice on issues affecting developing countries. As has been observed, ‘In Lyon, all the international civil

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<sup>59</sup> Enlargement of the G-7 to become more inclusive revolves primarily around the inclusion of Russia; there are no moves within the G-7 to open the process up to NGOs or even the representatives of developing countries.



servants have been invited, essentially to represent the views of the rest of the world' (Brummer, 28-6-96). The irony in Brummer's observation is obvious throwing light as it does on the limited form of transparency contained within the Halifax reforms of MGG. Thus, this manifestation of the discourse of transparency is limited and does little to enhance public accountability.

### *The Summit Communiqué and Productive Secrecy*

The official output from the G-7 Halifax Summit amounted to a ten and a half page communiqué and a fifteen page background document on the reform of MGG. The communiqué is important because it is the only publicly issued document recording the outcome of the summit and represents the G-7's clearest commitment to external transparency. It can be claimed by advocates of the summit process that it is right that the unfinished drafts of the communiqué and bargaining position in negotiations are kept secret because the final statements are made public. This rationale supports the view advocated by those who support the rationality of functional secrecy (see Chapter 2). Full transparency at an earlier stage might undermine the choices available, the policy-making process and force participants to adopt view point that appeals to their domestic constituents (Bok, 1982: 175-80).

The vagueness of the G-7 Halifax communiqué and other official releases can be interpreted in a number of ways, including an attempt by the G-7 to hide its intentions; or avoid commitment, and a wider global responsibility. This is reinforced by critics who claim that calls for transparency in the communiqué are merely bland statements of phoney normative aspirations (Sheridan, 19-6-95). The Summit communiqué can be criticised for being too general and unspecific in the implementation of its commitments and therefore undermines the notion of this type of transparency leading to more accountability. As an illustration of the actual level of

transparency in the G-7, it has been observed that it is rare for the G-7 to publicly register its views upon any economic matter. For example, on the issue of currency value, it has been reported that over the last twelve years the G-7 has only commented in its institutional voice on three occasions (Brummer, 11-2-97). The implication of this is that the G-7 is reluctant to comment publicly upon an economic issue which might have significant consequences for a range of actors.

Another characteristic of the G-7 Halifax communiqué is its complexity, 'these documents reflect a nominal agenda, which in many cases does not correspond to the matters actually discussed ... [whilst many] ... consider these documents wordy, vague and difficult to understand' (Garavoglia and Padoan, 1994: 55). From the perspective of productive secrecy this complexity and lack of clarity might perform two functions: first to reinforce a particular ideological view; second to protect the G-7 from criticism about its lack of substantive reforms of MGG. An examination of the official communiqué offers the opportunity to see if this type of productive secrecy is being utilised by the G-7.

A wide range of commentators have observed that the overall message emanating from Halifax is that countries must keep to the neoliberal orthodoxy characterised by tight economic management and the continuing expansion of global markets. The communiqué itself asserts that all countries will have to keep their houses in order, and in this case order refers to the neoliberal orthodoxy (Hutton, 19-6-95). It is because of the consequences of following the policy formulation laid out by the G-7, with its far reaching social and political implications, that critics have pressed for increased accountability through greater openness and participation.

At the Halifax Summit the communiqué finished with a declaration that a commitment to neoliberal globalisation remains the most economically beneficial, and that the primary aim of the G-7 is to facilitate the working of the market and the key economic players (Communiqué, 1995: 2). Despite accusations of vagueness, one thing that the communiqué appears to make clear is the assumption that globalisation will be positive for all countries and merely requires that countries take the right 'medicine'. It accommodates the universal view amongst G-7 participants that globalisation is inevitable and that following the policies of the market will result in the common good.

Critics argue that the openness of the communiqué in terms of its policy recommendations for free trade and IMF support of structural adjustments programmes can be challenged because it fails to include '... open discussions and deliberations about the pitfalls of standard neo-classical international trade recipes.' (WIDE, 1996: 3). What this does is to give some support to the internationalisation of authority as discussed above. The suggestion is that information released by the G-7 has the aim of reinforcing a particular ideological position and stifling open debate about the wider implications of an unregulated global capitalism.

In the communiqué section entitled '*Meeting the Challenges of the 21st Century*', the explicit assumption is that globalisation is driven by market forces and technological change. The implication is that global forces are beyond the control of national governments (see Chapter 1). One interpretation of this is that the communiqué represents a type of productive secrecy: the G-7 is responsible for the development of economic globalisation, however, it cannot be responsible for its sometimes negative consequences. The communiqué fulfils a critical role in the continuation of this market belief by reaffirming the no change policy, implicitly denying the possibility of alternatives. The G-7 is able to avoid its responsibilities, as well as obfuscate

the issue of accountability. The communiqué is at best a very limited form of transparency, and a flimsy source of accountability, which could in future lead to more questions being asked about the legitimacy of the G-7.

### *The G-7 and Visibility (The Role of the Media)*

In Chapter 2 the argument was put forward that the potential for functional secrecy to conceal a misuse of power is counter balanced by a free press (See Shils, 1956; Friedrich, 1972). The function of the media has been to report on the actions of those in power and provide a counter-balance. In so doing the media play a vital political role in opening up the political process and making it more accountable by disseminating the product of the G-7's external transparency. From this perspective the media acts as a neutral arbiter acting in the public interest. Freedom of expression ensures that the media acts as an indirect form of accountability on the governing group. A counter perspective argues, however, that a primary function of the press is to support the interests of the dominant class, with the media reflecting those interests through the control of the news agenda. (Curran and Seaton, 1985: 221-227). Information generated in this way conforms to the established social order and is ideologically driven. Others take a more ideologically neutral position, but retain a cynical view of the purpose and role of the media at the G-7 summits. In a scathing attack on the worth of the media at G-7 summits, Hirsh describes them thus:

'each spring 2,000 reporters descend on some lucky city, the drone of briefings fills the air for three days and the leaders pose stiffly for group photos and discuss every manner of issue - from Bosnia to biodiversity - usually in too little detail to matter (1995: 35).

The presence of the media at the Halifax Summit means that on one level the events are very visible and Baker makes the point that of all the G-7 processes the summits remain the most publicised (1996: 10). In part this can be explained by the need of the G-7 to maintain a high public profile, without which its legitimacy as an effective form of economic governance is more vulnerable to challenge.

The summits are the public face of the G-7 and it is the role of the media to report upon the different aspects of them. In this respect the media has been challenged for its seeming unwillingness to criticise the G-7. Critics at Halifax (see *Summit News* #002) believed that the media always followed the official agenda, reinforcing the effects of productive secrecy. Generally it can be said that the media is more concerned with the relationship between participants and their domestic audiences rather than the wider global issues that are the purpose of the G-7 summits (Round, 1997b). This view is reinforced by Shaw who observes that governments know that responses to global issues can make a difference to national politics (1996: 10). As a consequence the non-governmental groups who are present at the summits cannot rely on the mainstream media to either convey their messages to the public or to report on anything other than the official line.

The high media profile the G-7 summits attract appears to be at odds with the actual degree of transparency which is produced. One explanation for this is provided in *Summit News* #001: in a reported discussion between a journalist and a member of the P-7, the point was made that the media is largely dependant upon the official releases of those in authority because the meetings are all held behind closed doors (1995b: 2). The result is that there can be no independent reporting of the discussions and what actually takes place. As a result the media

resort to photo opportunities and regurgitating the official press releases and much of what is reported is clouded by the spin from the press officers representing the G-7 participants.

There is a counter perspective to this view and, the amount of transparency generated by the media has led to some governments calling for further restrictions on media intrusion of summits and the need for increased privacy. It is reported in 1992 that the British government wanted to reduce the degree of publicity surrounding summits as a means of gaining freedom from media attention, thus they argued enabling summits to be more effective (Hodges, 1994: 24). We can see therefore, that the issue of concealment and revelation is played out in the role of the media in the summit process and that it is far from obvious as to whether or not the media acts as a counter balance to the secret talks that characterise the G-7 summits.

## Conclusion

The G-7 wants to keep its discussion concealed in order to enhance effective governance. However critics of the institutions of MGG believe that it is the responsibility of the G-7 to set in place 'an open and participatory' review of the World Bank and the IMF which would first need to be applied to itself (Woodroffe, 1995: 2). To act as a directorate, regulating the institutions of MGG, the G-7 needs to act to remove the excessive secrecy surrounding itself and the other institutions of MGG, as well as integrating public participation into its decision-making process (Halifax Initiative, 1996: 5).

From the evidence presented here it would appear that the G-7 has engaged most closely with the discourse of internal and external transparency. The justification for limiting transparency to its internal form was to promote dialogue amongst participants. However, this is ultimately too restrictive to enhance public accountability or the trust that exists between the governors

and the governed (Coote, 1998: 126). The G-7 summit process remains a largely exclusive round of meetings with limited accountability, transparency and participation, justified by the need for functional secrecy. Other examples of the limits of transparency were the official Halifax Communiqué, the role of the media and the limited participation of NGOs. These failures demonstrate the inadequacies of the G-7 in conforming to the principles of good governance and enhanced institutional accountability.

## ***Chapter Six***

### **The World Bank and the Arun-3 Dam Project**

The purpose of the World Bank is to provide funds for economic development. In this role it has become the largest single lender of public financial aid to the Third World. The *de facto* authority of the Bank gives it a 'unique moral, political and economic role' (Please, 1984: 1). Like the IMF (see Chapter 4), the World Bank faces criticism over its affairs, and the issue of the Bank's accountability has become a central concern for many people (Caufield, 1996; Horta, 1997). Areas of concern include the degree of secrecy and apparent lack of transparency that surrounds World Bank projects. To explore these issues and the consequences for the Bank's accountability this chapter will focus on one of the Bank's most controversial projects of recent times, the Arun-3 Dam Project in Nepal.

The chapter is divided into four sections. The first examines the background to the World Bank, its role in the development process. The second explores the way in which the discourse of transparency has been applied and interpreted within the World Bank and the extent to which secrecy prevails. The third sets the context by introducing details of the Arun-3 Dam Project. The final section takes this material and applies it to the issue of the World Bank, accountability and Arun-3.



## The World Bank and its *Raison D'être*

Commonly known by its generic name, the World Bank, the institution consists of four organisations: the International Bank for Reconstruction and Development (IBRD); the Economic Development Institution (EDI), the International Development Association (IDA) and the International Finance Corporation (IFC). Collectively these institutions are known as the Multilateral Development Banks (MDBs) or the World Bank. Of the four institutions the EDI and IFC have the most independence, as they are run as semi-autonomous agencies. The IBRD the IDA are usually considered together as they share the same president and staff (Wilson, 1991: xi). For the purposes of this chapter the generic term, the World Bank will be used, except where otherwise specified.

Like the International Monetary Fund, the World Bank was conceived in 1944 at Bretton Woods to support post-war reconstruction in Europe which it undertook under the terms of the Marshall Plan. Once this reconstruction was completed the Bank shifted its attention towards Third World development (George and Sabelli, 1994: 2). It is in this capacity that the Bank has proved most controversial (Culpeper, 1996: 60). A wide range of critics have cited the World Bank as being the root cause of many of the developing world's problems (see for example, Watkins, 1995: 10; Christian Aid, 1994: 20; Friends of the Earth 1994). These critics maintain that World Bank policies are responsible for ecological degradation, social destabilisation and economic dependency (Kothari, 1994: 40). In an investigation into the World Bank, Caufield concluded that the premise that the Bank exists to help the poor is just an illusion (1996: 330-338). Conversely, the Bank's advocates see it as playing an integral part in development projects amongst many underdeveloped and developing states (Sandström, 1994: 30). What is incontrovertible is that without the help of the Bank the necessary funding for economic development and poverty relief would not be forthcoming.

In its role as the world's largest development agency the World Bank provides loans for development projects<sup>60</sup>. These projects have traditionally been large scale, including dams for the production of hydro-electric power, and road building projects. According to the World Bank, these types of projects contribute to the economic development of the country in question by developing its infra-structure for economic growth (Friends of the Earth, 1994: 3). The primary objectives of the World Bank were reiterated on its 50th anniversary in its official publication *Finance and Development*; in this report the Bank stated that its principal aims continued to be helping to reduce poverty and increasing living standards in the developing world (Sandstrom, 1994: 30-1).

One of the World Bank's strengths is in countering the lack of coherent policy in the developed world towards the developing world. In contrast to individual states, the World Bank is in a good position to translate its world view into real policy outcomes (Sabelli and George, 1994: 2). Primarily this is because it is unconstrained by domestic political pressures. The Bank's world view is shaped by a neoliberal development model which has at its core: 'the belief that the reform of economic and political institutions, together with the liberalization of macro-economic policy, are the pre-conditions for market-driven economic growth' (Henderson, 1998: 359). Critics of these policy objectives described the Bank's function pejoratively as an agent of 'disciplinary neoliberalism' (see Chapters 1 and 3; Gill, 1995: 406, 1992: 272). They claim that the Bank imposes its world view upon aid recipient countries to their detriment and that dissenting voices are excluded from the debate. However, Nelson believes that this view of the Bank is too restrictive and that it should be viewed more as an institution that is 'subject to external pressure and is neither monolithic nor static internally' (1996: 5).

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<sup>60</sup> In 1994 the Bank had funds of \$148 billion dollars, financing about 1900 projects throughout the world (Horta, 1997: 132).

The Bank's loans have conditions attached to them with the most well known being the generic policy package associated with structural adjustment programmes (SAPs). These conditions are primarily economic and act to privilege economic austerity over 'pump-priming', and place restrictions upon national policies. Linked to these economic reforms are political conditionalities. These lead to the adoption of policies at the national level which are seen as the source of much increased poverty and economic hardship (Caufield, 1996: 338). The Bank counters this by maintaining that its duty is essentially a technical one, and resists any suggestion of a political role (Williams, 1994: 110). Gillies explains that the Bank has a narrow version of governance which focuses on the technical criteria for economic development. This excludes the wider consideration of most civil and political rights (1996: 115). However, claims of the Bank's political neutrality are contested not least because 'it is hard to think of anything more political than deciding how money is spent' (Gillies, 1996: 105). Despite protests from the Bank over its political neutrality and essentially technical role in development projects, the political role of the World Bank is well demonstrated in its conditions for lending.

## The World Bank and the Discourse of Transparency

The principles of good governance have come to the fore in World Bank policy recommendations as a condition placed upon countries wishing to secure aid. The World Bank made the concept central to its development policies in the 1990s<sup>61</sup>. In a publication, entitled *Governance*, the World Bank asserts that 'good governance is epitomised by predictability, open and enlightened policy-making (that is transparent processes) ... and a strong civil society

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<sup>61</sup> The use of governance in World Bank parlance was first utilised in 1989 in the report 'Sub-Saharan Africa: From Crisis to Sustainable Growth'.

participating in public affairs' (1994a: iv). The World Bank's report on governance makes clear the connection between transparency and accountability by making the claim that 'transparency and information pervade good governance and reinforce accountability' (1994a: 29).

Conversely, poor governance is defined by the World Bank as governance which lacks accountability and has non-transparent decision-making procedures (World Bank, 1992: 9).

The report goes on to claim that 'secrecy and non-transparent decision-making provide an opportunity for private gain or for political arrangements against the public interests' (1994: 31). Are these principles of good governance reflected within the Bank? Gillies reports that '...the Bank is virtually immune from any form of accountability to the intended beneficiaries of its activities' (1996: 118). The result of this, according to Gillies, is that the legitimacy of the Bank is challenged. To be legitimate the Bank needs to be open and accountable through the release of information, access to documentation and openness in the governance process. In the next three sub-sections I explore different assessments of the relationship between different types of transparency and accountability within the World Bank.

### *Internal Accountability*

Procedurally, the decision-making mechanisms within the Bank are similar to those of the IMF, with decisions made by consensus rather than voting. Consensus is favoured by developing states because if decisions are to be decided by straight voting, the G-7 countries with their in-built majority share holding in the Bank have the power to make all the decisions. For example, the Nepalese government only has two-tenths of one per cent of the voting power, whereas the United States has sixteen per cent (Perkinson, 1994: 68). As a consequence the representatives

of many developing countries see their interests being best served by decision-making based upon dialogue and consensus rather than formal voting procedures.

Interestingly in those situations where a vote is taken, the outcome is often concealed because discussions can continue more frankly if they are not open to public scrutiny (Colchester, 1989: 10). This limited form of internal transparency produces a dilemma; viewed as positive feature it is a lubricant in the political process of sensitive negotiations. Alternatively, the secrecy that is implicit in internal transparency undermines the legitimacy of the Bank by excluding a larger group of interested participants. In recognition of this, some governments and NGOs have pushed for policy reforms on information disclosure (Horta, 1997: 132).

It is claimed that to portray accountability merely in narrow internal and procedural terms misses the wider point about the scope of accountability (Udall, 1994a: 145). The Bank's accountability is flawed according to those who want to see a more expansive and inclusive form of accountability. This is because '...the Bank is not held accountable for its actions, except to a board of executive directors...' (George and Sabelli, 1994: 152). The problem is compounded because the Directors views are then shaped by the dominant states. In a series of interviews, Bischel reports genuine concern amongst some of the Directors from the developing world, that the Bank is primarily a tool of the rich western industrialised states (1994: 146).

Moves to make the Bank more accountable through increased access to information and participation by non-state actors has been resisted internally. The Bank maintains an orthodox position on the issue of accountability justified on the basis that the relationship is primarily between member states and the Bank: 'the World Bank...is a multilateral organisation, accountable only to its member governments - and that if its projects have problems they are

primarily the responsibility of the borrower governments' (Fox, 1996: 1). This view is reinforced by Bischel who on interviewing an Executive Director of the Bank was told, 'the Bank cannot intervene between a government and its citizens, otherwise it would become a political actor. Bank interaction must be with the governments that then represent the people' (Bischel, 1994: 150).

Notwithstanding the predominance of the orthodox view, there still exists ambiguity within the Bank over issues of transparency and concealment. For example, Bischel found when interviewing World Bank Executive Directors one respondent argued that 'we disagree with making the Bank accountable to anyone other than the government, but we support more participation by affected parties...' (quoted in Bischel, 1994: 150).

### *External Accountability and Access to Information*

Another source of accountability comes through the external transparency of official Bank publications. The World Bank and donor governments are accountable through the release of its monthly operational summaries which give details of the Bank's activities. These publications include a wide range of technical and policy papers and environmental impact assessments. Critics, however, view these measures of limited value, with the monthly operational summaries giving little detail, rather simply outlining the projects in purely technical terms (Udall, 1994a: 147-8). Similarly, policy papers are of limited value in increasing accountability because these papers are only released into the public domain after the details of the project have been completed and therefore restricting wider debate. Finally, although NGOs see environmental impact assessments, as a move in the right direction for increased accountability they believe they have limited utility for accountability, not least

because the World Bank bureaucracy remains secretive and unaccountable (Friends of the Earth, 1994: 8). In summary, critics argue that the publication of Bank reports does not, in itself, guarantee greater accountability.

The issue of external openness is related to gaining access to World Bank information. A lack of information represents a powerful obstacle to accountability (see Chapter 3). To create an effective form of accountability in the Bank an essential ingredient is access to information (Horta, 1997: 132). To accuse the Bank of denying access to information might be premature due to the reforms that have been undertaken. In part these reforms came about due to external criticism and an internal World Bank report. The Wapenhans Report (1992) highlighted that the Bank had failed to monitor effectively the implementation of its projects. The Bank was accused of ignoring the social and environmental problems of particular cases as long as projects were fulfilling wider development criteria. The report concluded that, to challenge this 'approval culture' the Bank would have to become more transparent, participatory and inclusive of those people directly affected by the projects (Horta, 1997: 132-133).

As a response to the Wapenhans Report the Bank, in 1994, took a number of steps towards improving its policy on access to information. These moves included a new policy on the disclosure of information and the opening of public information centres as a response to the criticism of high levels of institutional secrecy within the Bank. In his foreword to the World Bank publication *The World Bank Policy on Disclosure of Information* the President, Lewis Preston, reasons that access to information is essential for the Bank to gain wide support for its projects. In addition, access to information enhances the quality of Bank projects, fulfilling the wider aims of the Bank which are to reduce poverty and promote sustainable development (World Bank, 1994c). Because of this, the Bank in its information policy statement 'recognises

and endorses the fundamental importance of accountability and transparency...' (World Bank, 1994c: 2). Thus a clear link is made between the aims of the Bank and the need for openness and accountability. The final policy statement asserts that from this position it follows that there is a presumption in favour of disclosure recognised by the World Bank policy of opening Public Information Centres (World Bank, 1994c: 3)<sup>62</sup>. Furthermore, a move towards disclosure has been the creation of what has been termed the public information document (PID). As Udall points out PIDs have been created to satisfy those critics of the World Bank who accuse it of secrecy. PIDs are a part of the Bank's new information policy - a policy that has expanded the categories of documents that will be made available to the public.

In August 1993 the Bank's Executive approved and included in its annual report a section entitled *Public Access to Bank Information Expands* (1994b: 3). As already indicated, this document reiterates the shift within the World Bank towards a policy of disclosure in the absence of a compelling reason not to do so (Gerster, 1993: 99). Included in this new policy of disclosure was information that had hitherto been kept concealed, and included project information documents, Staff Appraisal Reports, environmental assessments and legal opinions.

Prior to this new policy the World Bank had often been accused of secrecy in its activities. Critics of the Bank maintain that there is a direct link between the failure to grant access to information, and the principles of public participation and accountability. Writing in 1989 Colchester claims that:

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<sup>62</sup> These Public Information Centres are located in Washington, London, Paris and Tokyo. Field offices hold information relevant to that particular country. A useful guide to these centres is published by the Bank Information Centre, Washington Email: [bicusa@igc.apc.org](mailto:bicusa@igc.apc.org).



'In most cases...documents are not even available to borrower governments or World Bank Executive Directors; they may be restricted to a small number of staff within the Bank. Moreover, there are no formal procedures by which the public can apply to access to the Bank's internal papers nor any formal review or appeal process to which outsiders can turn if Bank management denies them access' (1989: 9)

From another perspective the Bank has been forced to change its policy on access to information due to what has been termed the 'information revolution' (Annis, 1990: 73). The argument is that information is now becoming more accessible due to new technology and the reducing cost of the hardware<sup>63</sup>. The information revolution has resulted in the spread of information on a global basis: 'The proliferation of information and communications hardware, though it certainly reaches the rich first, is beginning to penetrate the isolation of poverty. Literate, media-connected, information hungry people are driving social change from below' (Annis, 1990: 73). This view is supported by those who believe that new technologies are facilitating openness and access to information (see Chapter 3).

Annis describes the World Bank as a 'knowledge based institution' (1990: 74). The Bank's main transfers are not in money but information about policy recommendations for economic growth (Annis, 1990: 74). As a result the Bank has become knowledge based and that 'the contemporary World Bank embodies the high technology of the information age' (Annis, 1990: 75). Annis is not blind to the limitations of this information age within the Bank and calls for an '*Informational Glasnost within the Bank*' and an explicit policy on information openness to offset the secrecy within the Bank. More critical of the World Bank information policy is Giles Mohan who claims that the information provided by the Bank is a form of political power. The

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<sup>63</sup> This increasing equality associated with the information age is challenged by others. For example, see Hosseinzadeh and Yesilda, 1989.

power of MGG is enhanced through the subtle means of the 'creation and dissemination of knowledge ... knowledge is used to create consensus for more concrete policy intervention' (1994: 526)

Before the reforms of 1993, most of the Bank documentation was restricted. Following the reforms access to information varies according to which country applicants live in (Cahn, 1993: 166). Citizens of the United States are able to gain access once a document relating to a project has the approval of everyone in the Bank and its progression is a *fait accompli*. Even this limited access is denied to the citizens of developing countries who have no access to information regarding projects within their countries. The charge made against the World Bank is that during the planning and decision-making process of project design, the World Bank has remained hidden behind a veil of secrecy (Udall, 1994a: 145). Despite this, and particularly since the Bank's withdrawal from the Narmada Dam Project, there have been moves to increase public access to Bank information. The question that has been posed by Udall is whether this means greater public accountability, or is it just a public relations exercise (1994a: 145).

Information supplied to the Bank by governments of aid recipient countries is not made public. The primary justification for this by the Bank is that, 'there is a need to preserve the integrity of the deliberative process and to facilitate and safeguard the free and candid exchange of ideas between the Bank and its members.' (World Bank, 1994c: 13). For the same reason, access to the Bank's internal decision-making processes are restricted, including internal documents and memoranda. The Bank restricts information on its financial affairs and to ensure the privacy of its staff. Finally, in a catch-all clause the Bank may not release information because the: 'external release of some information may be on an ad hoc basis when, because of its content,

wording, or timing disclosure would be detrimental to the interests of the Bank, a member country, or Bank staff" (World Bank, 1994c: 14).

It is understandable that the Bank should want to protect the private affairs of its employees, however, there appears to be a disjuncture between the Bank's policy of openness and its catch-all restrictions. The World Bank has kept information secret due to the Bank's attitude towards certain issues, such as, the environment and the rights of indigenous peoples (Colchester, 1989: 10). There has been a suggestion that the World Bank has begun to look to more sophisticated methods in the search for increased legitimacy, and it is possible that its policy of information access through the discourse of transparency is one of these strategies<sup>64</sup>. In a scathing attack, worth quoting at length, two critics of the Bank pour scorn on the Bank's information policy, particularly the lack of openness in its projects and the access to information policy:

'The Bank is not transparent. It justifies its opacity by the need to protect the confidentiality of its relationship with borrowing members who are themselves then enjoined by the Bank to be, precisely, transparent. Since many governments are unwilling to allow their own people, much less outsiders, to learn what Bank projects may have in store for them, the Bank's refusal to divulge such information places it at the same level of poor governance as those governments it criticises for their lack of transparency. Its confidentiality defence is not just hypocritical but absurd.' (George and Sabelli, 1994: 152)

The Bank's disclosure policy is designed to enhance the legitimacy of its projects. By adopting these policies it appears that the Bank, more than other institutions of MGG, is prepared to

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<sup>64</sup> It has been suggested that one method employed by the World Bank is in establishing partnerships with NGOs to reduce the possibility of opposition to their policies (Kothari, 1994).

engage with the discourse of transparency in a substantive way. What remains to be seen however, is whether the disclosure policy is sufficient to produce more accountable World Bank.

### *Privatisation, Secrecy and the World Bank*

The increase in private funding for World Bank projects reflects the decline in public spending on multilateral development. As a result private sector money is being presented as the only viable alternative (Guardian, 13-9-96). Thus investment from the markets is being presented by the World Bank as the way forward for development projects. This shift in World Bank policy raises some interesting issues about the use and justification of secrecy and whether institutions such as the World Bank can be open and transparent.

Privatisation or the use of private capital for development projects means that the confidentiality of investors needs to be protected according to the logic of what Bauman identifies as commercial instrumental rationality (1995: 262)<sup>65</sup>. One justification for restricting access to information is to protect the confidentiality of private investors. Whereas accountability is about public decision-making, capitalism is about private decision-making (Laxer, 1995: 296). The shift to private financing has increased the significance of this sector for financing development projects. Critics claim that: 'privatisation has done more than disadvantage poorer peoples and communities. It removes democratic accountability of service providers from the people who use and depend upon them. It not only constricts *what* can be decided: it shifts *who* decides' (Martin, 1996: 153). Policies of privatisation have resulted in

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<sup>65</sup> Bauman argues that any other motives other than the interests of business are secondary and that 'they are dismissed on the grounds that they do not make business sense, the only sense that business may recognise' (1995: 262).

power becoming concentrated at the global level between the MDBs and private finance in the form of transnational companies: 'At the heart of the campaign to reform the World Bank and other multilateral development banks (MDBs) is an attempt by citizens groups, NGOs and local communities to force the MDBs to become more publicly accountable and transparent in their operations' (Udall, 1994a: 145).

Privatisation has resulted in the World Bank funding private companies to undertake projects, thus developing the relationship between the Bank and private companies. It is reported that the Bank is undertaking internal reforms to make it more 'private sector friendly' (Hildyard, 1996: 177). One area of concern arising from this shift to private finance is those many Multilateral Development Banks (MDBs) other than the IBRD have weaker information and disclosure policies. As we have seen, some documents have become more readily available in the IBRD. This, however, is tempered in other MDBs such as the IFC (Hildyard, 1996: 178). The potential for more secrecy stems the IFC concern for confidentiality. As a consequence what might be considered proper business confidentiality becomes an excuse for a more wide ranging type of exclusion and lack of accountability.

### *Transparency, Participation and Non-Government Organisations*

It is a widely held belief that the active political participation of society is a critical ingredient of full accountability and that this is a core aspiration of the principles underpinning transparency from below (see Chapter 3). Without participation and the means to participate fully, those in power are able to exclude opposition forces and make decisions with impunity:

'The involvement in public decision-making on the part of organisations and social movements that directly represents the broadest possible range of interests

in the civil society, helps ensure that decisions are relevant and have broad based support. Such organisational involvement, along with the freedom and exercise of individual expression, forms the backbone of democratic society' (Hellinger and Hellinger, 1994: 121)

This is not to say that the importance of participation to making the World Bank more accountable has not been recognised by the institution. The desire to encourage more participation has emerged due to the World Bank aligning itself to ideas of sustainable development as a means of reducing the debt of developing countries. The notion of sustainable development is underpinned by a belief that if projects have the support of local people they will prove to be more successful. This policy has encouraged the Bank to promote the role of NGOs in the development process. By doing so it has increased the degree of direct participation of those affected by the development projects: 'Participation means more than sharing in the benefits of development. It means an active, sustained and consequential role ... in determining how these benefits are generated' (Hellinger and Hellinger, 1994: 118).

One of the Bank's Directors, Sven Sandstrom, has written that there is a global trend towards participation and political openness (1994: 33). Another Director takes a more pragmatic line and reasons that projects have more chance of success when a full range of actors are involved because of the investment that local people will have made (Adams and McCracken, 1994: 36). It has been claimed that participation is about stakeholding, an inclusive process that gives primary importance to the poor who are most likely to lack power and information (Adams and McCracken, 1994: 36)<sup>66</sup>.

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<sup>66</sup> The idea of a 'stakeholder society' is contested. However, within it is the idea of a restructuring of the global economy to reflect community needs. See Jones, RB 1997.

It is claimed that NGOs and new social movements have become one of the prime checks upon international organisations (Camilleri and Falk, 1992: 217; Uvin, 1996: 165-65). Often comprising of a loose coalition of institutions of civil society these NGOs include various environmental and social groups, charities, development bodies, church and consumer organisations. Indeed, Gerster describes NGOs as the 'agents of accountability' although the degree to which they themselves are accountable and representative agents is open to debate (1993: 88-89)<sup>67</sup>. Although the World Bank has taken steps to include NGOs in its decision-making processes, the quality and extent of this participation is much debated. For example, in an open letter to the World Bank a coalition of organisations and individuals concerned about the World Bank's policies in India accused the Bank of only including the NGOs once the project has been planned and decisions taken (Kotari et al, 1996).

The Bank favours those NGOs which are funded by the World Bank itself and restricts consultation to these - some would argue co-opted NGOs - and in doing so excludes the people directly affected by the project (Kotari et al, 19-10-96). Nelson has observed that the Bank has adapted calls for increased participation by adopting the language of participation to align itself closer with the wishes of NGOs (1996: 4). Others believe that this closer involvement of the NGOs with the World Bank leads to the possibility that they become co-opted to the Bank's view of development which stresses conditionality and structural reforms over other issues. Strategies of co-option raise the real risk of opponents to the World Bank becoming more malleable after years of fighting the World Bank (Kothari, 1994: 52). Participation appears constrained by the nature of the relationship between the Bank and NGOs.

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<sup>67</sup> Executive Directors of the World Bank have questioned the accountability of NGOs. It is not clear who they are accountable to, and it could be argued that their influence is based upon might of resources as oppose to their being representative of wide sectional interests (Bischel, 1994).

It might be assumed that greater participation by NGOs would increase levels of openness, and that institutional secrecy would be pushed to the margins of the governance relationship. The interaction between secrecy and participation is of particular importance when considering the detrimental effect for public participation when secrecy exists. Not least because it excludes those who are most affected by the decisions made. However, it is noteworthy that although the NGOs criticise the World Bank's secretive practices, they are likely (if invited) to engage in closed-door meetings with the Bank. The confidentiality this lends the discussions means that the NGOs can make their points to the World Bank without the threat of embarrassing a member state. Thus, NGOs have become involved in some policy dialogue, and although this does not amount to complete openness it is significant because the 'principal vehicle for participation at local levels are people's organisations and those institutions that represent or support the poor and their interests' (Hellinger and Hellinger, 1994: 125).

## **The World Bank and the Arun-3 Dam Project**

The importance of the Arun-3 Project for the World Bank is that it had become a measure of the Bank's credibility and ability to undertake large infra-structure projects. The Arun Dam can be viewed as a 'classic' World Bank project involving investment from the Bank and the private sector in what have been described as 'megaprojects'. The Arun-3 Dam followed on from the earlier example of the Namarda Dam in India, and it has been described by Udall as '... a test case in World Bank accountability' (1994b: 82). Furthermore, it has been observed that there are many lessons that 'can be drawn from the political dynamics between international donors and recipient societies from this single project in Nepal' (Gyawali, 1997: 185).



The rationality underpinning the project follows the Bank's orthodox position on economic development. The Bank believed that the dam would provide the people of Nepal with cheap energy from a plentiful natural source. The Arun-3 Project was being presented as an initiative which would help to fundamentally transform the economy of Nepal. It would be part of the on-going process of economic re-structuring that Nepal had undertaken, under the guidance of the World Bank<sup>68</sup>. The size of the project is illustrated in the following quote:

'The World Bank is currently considering spending US\$140 million on what would be Nepal's largest ever hydroelectric dam. The 200 megawatt dam and its 122 km access road would cost US\$764 million, the equivalent of Nepal's entire annual public expenditure budget, and would threaten the biologically rich and culturally diverse Arun mountain valley. The valley contains one of the last pristine forests in the Himalayas and is inhabited by 450,000 people from ten indigenous groups' (Friends of the Earth, 1994: 6).

Initially it was the Nepalese government who approached the World Bank for help in funding the Arun-3 Dam Project. As noted by Gyawali, 'in 1987, the Government of Nepal requested the World Bank to become an active role and "lead donor agency" in mobilising resources for Arun-3' (1997: 188). Due to the request, the World Bank took responsibility for the project. This served two functions: to ensure the success of the project, as well as to act as an agent on behalf of Nepal's government in seeking funding for the project from both public and private sources.

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<sup>68</sup> The World Bank insisted that a number of macroeconomic reforms take place before the funds to build the Arun-3 could be released. These included satisfactory progress in implementing SAPs, tax reforms, adoption of the Bank's budget forecast and reform of the administration (Gyawali, 1997: 198).

Because of this active and close involvement, the World Bank had an extra incentive in making the project work to maintain its credibility. This occurred at a time when sections within national governments were beginning to question the Bank's continuing relevance. This may explain why the World Bank was so reluctant to cancel the project, moreover, why many aspects of the project were initially obfuscated to protect its interests. Feasibility studies were undertaken by the World Bank. A growing band of critics believed these studies missed the point about the environmental costs posed by the Dam being built (Gyawali, 1997: 190)<sup>69</sup>.

## The World Bank, Accountability and Arun-3

### *Opposition to Arun-3*

Opposition to the Arun-3 Dam was organised around a coalition of NGOs. In a letter sent by the Alliance for Energy, a Nepalese NGO, to the Executive Directors of the World Bank, dated 6 July 1994, they set out their concerns over public participation and access to information.

Firstly, that there had been inadequate public participation in the evolution of the Arun-3 Project. The government of Nepal portrayed the project as having undergone public scrutiny, in an open and transparent manner. Yet the reality for many opposition groups was of a project presented as a *fait accompli*. Any consultation that had taken place had been at the instigation of NGOs rather than the government of Nepal or the World Bank (Alliance for Energy, 1994).

Secondly, important documents were withheld by the government of Nepal, despite the World Bank's policy based upon a presumption in favour of disclosure. Primarily this was justified by the prior authorisation of borrowing governments as a precondition for the release to the public of the most essential documents (Korta, 1997: 134). The release of documents came only after

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<sup>69</sup> Environmental threats that 'could lead to severe erosion, stream disruptions, floods, landslides, and a loss of biodiversity. The access road could result in an influx of migrants posing a threat to both the forests and the local culture' (Friends of the Earth, 1994: 6).

legal action by the NGOs. Even then, many critical documents like the Memorandums of Understanding between the government of Nepal and the World Bank, were concealed from public scrutiny (Alliance for Energy, 1994). Finally, there was the failure of the World Bank itself to release information prior to the limited public consultation that took place. The Bank's information policy requires that information be released. This was not done in the Arun-3 case, for example, the green colour coded, Staff Appraisal Report was not made available prior to project approval and not in Nepal at all (Alliance for Energy, 1994).

Critics of Arun-3 believe that the World Bank favoured the views of local and international elites rather than the indigenous population or local economies (Perkinson, 1994: 68). This view is reinforced by environmental NGOs who opposed the building of Arun-3: 'The plan has been strongly criticised by citizens groups in Nepal, Europe and North America who are calling for an immediate moratorium on funding. They argue that the whole of Nepal's power needs could be met with small, localised hydropower and solar power schemes, but the World Bank has admitted that it has not even considered this option' (Friends of the Earth, 1994: 6).

On 24 October 1994, the Arun Concerned Group (ACG) made a complaint to the Bank's Inspection Panel on the grounds that the Bank had failed to implement its policies and procedures including information disclosure (Udall, 1994b: 84). The complaint, registered as Inspection Panel request RQ94/1<sup>70</sup>, was based upon the non-compliance by the International Development Association (IDA) with its rules and regulations, including the non-disclosure of information on its economic analysis, its environmental assessment, and its involuntary resettlement of indigenous people. Thus the role of the Inspection Panel in Arun-3 was in

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<sup>70</sup> On 2 February 1995 the Board of Executive Directors agreed to an investigation based upon the Inspection Panel recommendation on the following points: '... whether IDA's policies and procedures have been observed with respect to environmental assessment, indigenous peoples and involuntary resettlement, in terms of (1) the consistency of the determination of the road alignment with Operational Directive [OD] 4.01 (Environmental Assessment); (2) the consistency of the treatment of indigenous peoples, if any, with OD 4.20 (Indigenous Peoples), and (3) the consistency of arrangements for compensating seriously affected families for land acquired by Governments with OD 4.30 (Involuntary Resettlement)' (World Bank, 1995a).

investigating the claim that the project violated the Bank's environmental assessment and resettlement policies.

After receiving the complaint, on 2 May 1995 the Bank's directors authorised an investigation by the Inspection Panel . It was the first request received by the Bank to use the panel to investigate one of its projects<sup>71</sup> . The panel's operating procedures set out that the initial work plan for the investigation will be publicly available. However, the panel does not have to set out an agenda or initial work plan for its investigation nor make all its findings or information public<sup>72</sup> . The Inspection Panel completed its investigation and submitted its report to the Executive Directors on 21 June 1995. The resolution establishing the panel required that the findings be made public within two weeks of consideration by the Executive Panel.

A press release from the World Bank details the application from several citizens of Nepal who were directly affected by the Arun Project. On 4 November 1994 the Bank's Inspection Panel under the chairmanship of Ernst-Gunther Broder recommended that an investigation into the claims of the citizens was justified although this did not pre-judge the merits of the claim (World Bank, 1994a).

As already noted, before the Arun-3 Project came to public notice, the World Bank had introduced a new and expanded information policy. It is worth considering therefore whether this new information policy was significant in the Arun-3 case. The Inspection Panel found that the allegation of non disclosure of information by the Bank was unfounded. The Panels

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<sup>71</sup> Copies of the Notice of Registration are available from the Bank's information centre or through the World Bank's information Gopher.

<sup>72</sup> The initial work plan includes: (1) research of Bank documentation and files as well as information made available by the prospective project co-financiers, and the assessment of any solicited or unsolicited information from other sources; (2) meetings with the Requesters, affected people in the Arun Valley, Bank staff, co-financiers, officials of the government of Nepal, and representatives of NGOs; (3) interviews with groups of affected people in the Arun valley, particularly with regard to their involuntary resettlement and loss of land (4) visit to project sites in the Arun valley, to review environmental assessments; and, (5) hiring of limited consultant services from experts in Nepal on the questions of indigenous people and environmental assessment (World Bank, RQ 94/1).

findings published on 11 April 1995, gave the reason as ‘...the disclosure policy was evolving so rapidly during the later phases of project preparation that full compliance was difficult’ (World Bank, 1995b). The Bank was unable to fulfil its commitments to greater transparency because its policy was so new and as yet unestablished the implication being that this would change in the future.

In August 1995 after considerable pressure from opposition groups and a report from the Bank’s Inspection Panel the World Bank withdrew from the Arun-3 Project. Whether this was due to increased transparency or some other factor needs to be explored further. It was reported that one of the reasons given by the World Bank was public pressure. Another reason cited by Gopal Sovakoti of the Arun Concerned Group (AGC) was that, ‘So unwilling was the Bank to release the Panel’s report which strongly criticised it for not following its procedures, that cancelling Arun was preferable’ (Quoted in Bell, 16-8-95).

The Panel had just completed a full inspection when the World Bank’s President Wolfensohn announced in August 1995 that the Bank would no longer support Arun-3. Wolfensohn cited the work of the Inspection Panel as one of the primary reasons for this decision (Hunter, 1996a: 74). It should be noted that the decision not to support the project was not taken lightly: the project was seven years in the design stage, and a significant amount of resources had already been devoted to it both in financial and human resource terms. The cancellation of the Arun-3 at this late stage was an expensive failure for the Bank, estimates put the costs at \$25 million. To some extent the failure and thus wasted money can be attributed to the lack of openness by the Bank and the government of Nepal in the initial stages of the project (see Gyawali, 1997: 202 fn6).

The cancellation of Arun-3 was seen by many as a victory for the coalition of local, national and international NGOs that opposed Bank projects on social, environmental and economic grounds (Fox, 1996: 1-2)<sup>73</sup>. There was a growing consensus against this type of project from members within the G-7. The NGOs had managed to gain the support of the US Executive Director of the Bank and influential governments, creating internal dissent within the Bank (Fox, 1996: 2). The final piece of the jigsaw was the acceptance by the Inspection Panel of the Arun-3 as its first case. There was no guarantee that this would mean success for those opposed to the building of the dam and, 'in spite of this convergence of internal and external criticism, the Bank's management remained committed to the project, distorting the Inspection Panel's findings and moving the project towards Board approval. No project presented to the World Bank's Board has ever been voted down' (Fox, 1996: 3)

Initially the omens did not bode well for those opposing the project, but in the end a range of factors came together to force the cancellation of the project. This included pressure from NGOs, and the fact that the dam's cancellation would have a low-cost politically for the new World Bank President (Wolfensohn) who had not tied his credibility to the project. The project was also under threat because of reluctance by donor countries to finance a project that had generated significant opposition in their domestic spheres of influence, particularly in Germany and Japan (Fox, 1996: 2).

### *The Role of the Inspection Panel*

As noted above the Inspection Panel was made fully operational in 1994 and its first task was to investigate the complaints about Arun-3 by providing an independent assessment of this

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<sup>73</sup> Despite this, the cancellation was very unpopular with the Government of Nepal who vowed to fight to have the funding for Arun III restored (Gywali, 1997).

project<sup>74</sup>. Its significance lies in the ability of complainants to directly register their grievances with the World Bank. This development represents a potential shift in the governance relationship between the Bank and social movements. Private citizens now had the mechanism available to complain directly to an institution of multilateral global governance without first having to go through their government (Hunter, 1994b: 8). In part the establishment of the Inspection Panel makes a case for the cosmopolitan ideals whereby the separate relations between institutions of MGG, member states and private individuals is being challenged. It also challenged the assumption made by the radical perspective that the institutions of MGG cannot be made more accountable in the prevailing world order (see Chapter 1).

The Inspection Panel was presented by the Bank as an important development in Bank accountability and a check upon the Bank's activities. It achieved this by acting as an intermediary between the Bank and other non-state parties. It has been observed that the Inspection Panel is: '... the first forum in which private actors can hold international organisations directly accountable for the consequences of its failure to follow its rules and procedures' (Bradlow, 1994: 554). It will allow those who can demonstrate that the Bank has failed to implement its development policies to hold the Bank to account for its conduct. Accountability should be enhanced through the increased public debate generated by the findings of the Inspection panel which are to be made public (Bradlow, 1994: 579)<sup>75</sup>.

As a means of monitoring the Bank, the Inspection Panel helps ensure that the Bank fulfilled its responsibility in its project appraisal. If a World Bank project falls short of expectations then

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<sup>74</sup> It was on 22 September 1993 that the Bank's Executive Directors decided to establish the independent Inspection Panel under IBRD resolution 93-6 (Bradlow, 1994: 553). The procedures are as follows: an investigation by the Panel must be requested by a group of people adversely affected by a particular Bank project. After the Bank's Executive Directors have considered a request for inspection, the Bank will make publicly available the request for scrutiny, plus the panel's recommendations on the request, and the Executive Directors' decision on whether to proceed. The Bank will also make publicly available the panel's report on its investigation and the management's response to it. In addition the Panel's annual report to the Executive Board will be published by the Bank. (World Bank 1994b: 74)

<sup>75</sup> For a review of the Panel's procedures, membership criteria and powers see Bradlow, 1994.

the reasons must be made transparent (Bischel, 1994: 156). In part this increased clarity is generated by the reporting of the panel's findings into the public sphere. Through this increased transparency, the Bank becomes more accountable because the onus is upon the Bank to justify or defend itself against negative comment (Bradlow, 1994: 579). If the Panels findings are made public it will mean that, '...there will be a public record of the panels work that can be used to hold the Bank's directors and staff accountable for their actions in response to the panel' (Bradlow, 1994: 578).

The independent Inspection Panel has been described by one leading NGO and critic of the World Bank as '...represent[ing] the most credible innovation introduced by the Bank to promote public accountability' (Friends of the Earth, 1996). Thus, it would appear that the Bank does take its responsibilities seriously and that accountability through greater transparency is made possible by the external regulation and surveillance of the Inspection Panel .

The benefits of the Inspection Panel were not viewed as only being one way. The Bank benefits because the Panel provides the Bank officials with 'timely, independent and objective information about the actual and potential effects of its operations' (Bradlow, 1994: 556). The outcome of this is that the Bank is able to follow more successfully its *raison d'être*, because: '... by increasing the transparency of Bank operations and the accountability of the Bank's staff, the Panel should improve the Bank's ability to alleviate poverty and promote sustainable development' (Bradlow, 1994: 556). Considering this and the apparent benefits to complainants, the creation of the Inspection Panel appears to have universal benefits and credibility. In its most positive light the Inspection Panel is an independent panel designed to arbitrate between both the World Bank and NGOs, and the World Bank and individuals. This



independence gives the Panel the potential to open up the Bank's decision-making and planning of projects through its access to Bank information and its independently published reports which are made public (Udall, 1994a: 150). The Inspection Panel can be clearly seen as a mechanism to make the World Bank more accountable.

The public accountability of the World Bank remains a concern for NGOs because, despite the apparent success of the Inspection Panel, many critics remain unhappy with its workings and its relationship with the Bank's Board of Directors. For example, they argue that the remit of the Panel is too limited and that it excludes the MIGA and IFC<sup>76</sup> from its sphere of activity. The Bank continually challenges the rights of claimants to take a complaint to the Board and thereby deterring would be complainants, particularly if they have limited resources. The Inspection Panel only operates in reaction to a complaint, it is not pro-active in its role of monitoring the Bank. What NGOs want is: 'an open and transparent process, [and] that the views of NGOs, community groups and other independent experts be solicited and fully taken into account, that the mandate of the panel be clarified and strengthened, and that the Panel's independence be guaranteed' (Friends of the Earth, 1996).

Some critics argue, however, that the Inspection Panel is not the credible agent of transparency and accountability that it was at first believed to be. One reason suggested for this is that because of the negative finding of the original Inspection Panel (known as the Morse Commission), the Executive Directors commissioned a Panel which is less independent and less open than it might at first appear. In the Arun-3 case the role of the Inspection Panel met with a mixed response from NGOs. In an Oxfam report (1996) it was argued that economic factors

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<sup>76</sup> The potential for secrecy in the MIGA and IFC is considerable as their funding comes directly from the private sector. For this reason it has been suggested by the World Bank that there needs to be two Inspection Panels, one for private sector claims and one for public sector. The concern is that business confidentiality will override the public right to know.

rather than public opposition that was the deciding factor in the Bank withdrawing from the Arun-3 Dam Project.

There were other concerns about the terms of reference and independence of the Inspection Panel . For example, although Wolfensohn, the Bank's President, responded to the concerns of the protest movements, he failed to publish the findings of the Inspection Panel's report. Confidential copies of the Panel's report reached the public through unofficial channels (Horta, 1997: 145). The Panel can only make recommendations to the Executive Directors and it is they who will decide if an investigation will be undertaken or not, and it is only then that documentation on the complaint and the recommendations will be made public (Korta, 1997: 144).

It is suggested that cancelling Arun-3 before a full inspection could be undertaken amounted to a damage limitation exercise and an embarrassing U-turn by the Bank in what was to have been one of its most prestigious projects. By cancelling the project Wolfensohn was able to uphold the Inspection Panel's initial findings without the need for a full investigation (Horta, 1997: 145). The Inspection Panel might give the appearance of the Bank becoming more responsive to the concerns of outside groups, however, this responsiveness does not amount to full public accountability. As the Arun-3 Project shows, the Bank can respond to protests without necessarily explaining why or giving access to more information, or in other words being more transparent and accountable.

### *The World Bank and Productive Secrecy*

As indicated at the beginning of this chapter there are those who believe that the World Bank operates in a purely technical manner, a politically benign institution with nothing to hide.

Therefore, it could be argued that the concealment of information is the result of poor institutional practices and procedures rather than a political act (Daly, 1994: 109-110).

Conversely others have claimed that something far more sophisticated is happening and that productive secrecy has helped to turn the Bank in the words of Caufield into the 'Masters of Illusion' (1996). What this amounts to is the Bank obfuscating the real terms and purposes and conditions of lending to enrich private banking, create open markets and promote the interests of the G-7 (Pettifor, 1998: 54). The Arun-3 Project appears to be no different and had elements of productive secrecy in its development up to and including its cancellation. The Bank was preoccupied with instigating a project that fitted its pre-determined development plan of mega infra-structure projects coupled with internal economic reform and disregarded the negative social and environmental impact upon the indigenous peoples.

Thus, productive secrecy manifested itself within the World Bank by concealing some aspects of the Arun-3 project whilst revealing those which are most beneficial to its world view. Critics of the World Bank argue that SAPs and projects like Arun-3 have hidden costs which the Bank keeps concealed because it prioritises economic factors over others (Madely, Sullivan and Woodroffe, 1994: 20). Information is available through the Bank that supports the dam building project, whereas critical information is suppressed or is not even on the agenda as it directly conflicts with the Bank's norms.

## Conclusion

The cancellation of the Arun Dam Project was seen by many as a great victory, particularly for those opposed to the project and, more generally, a victory for greater accountability in the World Bank. The general shift towards increased openness within the Bank can be viewed as a significant step towards greater accountability, participation, and good governance. Whilst this

episode does not necessarily mean that there will be increased accountability over future Bank projects, the creation of the Inspection Panel can be viewed as a positive step towards greater accountability. The fact that institutional secrecy has been successfully challenged needs to be tempered against the possibility of continuing productive secrecy; a lack of NGO participation; and the privatisation of investment in project development.

Although it appears that the World Bank's view of transparency remains ambiguous, there is evidence to suggest that the Bank not only speaks the discourse of transparency, it practices it as well in the form of meaningful external transparency and the beginnings of transparency from below. Whilst the Bank's new information policy, with a presumption towards disclosure, and the Inspection Panel will not necessarily guarantee accountability, they appear to be steps in the right direction. Critics however, would claim that the Arun-3 case was a one-off situation bought about by a desire by the Bank's new President to assert his authority over the institution, as well as a desire to give the appearance of the Bank as responsive to criticism.

## ***Chapter Seven***

### **The Conference on Disarmament and the 1995 Non-Proliferation Review and Extension Treaty**

The end of the Cold War, has not stopped the risk of the proliferation of nuclear weapons, and this remains one of the biggest obstacles to global peace and security (Williams, 1992: 225-6). The realisation by states of the need to control the proliferation of nuclear weapons has led to decision-making on security issues becoming increasingly internationalised in forums such as the Conference on Disarmament (CD) (Howlett, 1997: 340). Compliance and co-operation require the application of the principle of transparency in an attempt to build confidence and remove the traditional secrecy that surrounds national security issues and, nuclear weapons in particular. Transparency has been described as the key to compliance, enhancing legitimacy and generating trust (Chayes and Chayes, 1994: 66). As I outlined in the Introduction, this is a narrow view of transparency, and one which limits itself to explaining successful co-operation between states (see Mitchell, 1998: 109). My interest remains primarily the way in which the discourse of transparency can be applied more widely to enhance accountability within institutions of MGG.

The positive role of transparency for accountability in MGG raises a dilemma for those institutions in the security sphere. Traditionally the secrecy that surrounds arms control negotiations has been considered beneficial for resolving differences between participants away from the gaze of the public. As a consequence it is legitimate to ask to what extent it is desirable for the political processes to become more transparent if this endangers the disarmament process. Most would agree that the overriding concern of institutions such as the

CD is to make the world a safer place. The question then is how can this be best achieved? For some this would mean that it is the outcome and not the process through which the final agreement is reached that is most important. From this point of view as long as a new treaty is agreed, the means by which it is arrived at are a secondary concern. Secrecy can play a positive function, lubricating the negotiations towards the desired outcome (Gibb, 1995: 214). For others it is important that the process is open and transparent so that the outcome is not only legitimate but that it also imposes greater accountability upon the participants. To achieve this transparency must be more than a technical matter of verification; rather a political aim encouraging greater access and participation by *a wide range of interested parties*.

More generally, the development and proliferation of nuclear weapons have been identified as raising critical issues of accountability in the post-1945 world. The nuclear age has been characterised by secrecy, and the build-up of nuclear weapons has been observed to be both secretive and unaccountable (Shaw, 1997: 33; Bloomfield, 1997). Critics, however, have begun to challenge this apparent symbiotic relationship between secrecy and nuclear issues by arguing that the subject is too important to be decided behind closed doors, solely by the representatives of states and technical, bureaucratic elites (Walker, 1988: 125; Beck, 1997: 78).

The chapter is divided into four sections. The first section explores the way that secrecy has been justified in the nuclear security sphere and the case for more openness. I then consider the origins and development of multilateral global governance in the security domain and the function of the Conference on Disarmament (CD). The third section specifically explores the 1995 Non-Proliferation Treaty (NPT) Review and Extension Conference, considering both the conference proceedings and the preparatory stages. The final section gives an analysis of the

CD and the signing of the NPT, looking at the political process and the role of secrecy in the political process.

## **States, Security and Accountability**

Traditionally multilateral disarmament negotiations have been undertaken in private by state representatives. In this context the use of functional secrecy is justified because it creates efficient and effective governance in the shared interests of the international community. By excluding other non state actors it reflects a state-centred conception of world politics, reinforcing the principle of absolute sovereignty, and defence of the national interest. It has been noted that ‘since the Treaty of Westphalia (1648) the division of the world into clearly delineated jurisdictions has been widely regarded as the organising principle of politics’ (Camilleri and Falk, 1992: 141). For example, the absolute sovereignty of states is recognised within the NPT, in Article IV which confirms that ‘nothing in this Treaty shall be interpreted as affecting the inalienable rights of all the Parties ...’ (UN DPI/1654, March 1995). This statement reinforces the sovereignty of states and the rights of states only, to participate in the negotiation process of MGG.

This state-centred view of the world has however become increasingly challenged, due to the forces of globalisation and a more critical perspective on security looks towards states being part of the problem rather than the solution (Devetak, 1996: 167). Luard believes that security has been transformed by the internationalisation of the issue and that to make a more stable and secure society requires greater co-operation between states and not competition (1990: 33).

Luard’s approach reflects the neoliberal-institutionalist approach (see Chapter 1) and participation remains limited to states: transparency is ostensibly an issue between states alone. Luard acknowledges the limitations of this when he writes: ‘discussions of security at present

... are undertaken by national decision-makers...they are there to represent their state, or at best a group of states...there is no representation of non-state actors...still less of the mass of humankind as a whole' (1990: 43). An alternative to the state-centred perspective has developed that suggests that what is required is the enhanced accountability and transparency of multilateral institutions to stop the subordination of people to military need (Beck, 1997: 78). This would help avoid the situation where negotiating security treaties is dominated by a few powerful states, excluding weaker states and NGOs (Alley, 1995: 5-6: 36-7).

Although the primacy of the state in security matters persists, the undermining of *de facto* sovereignty has been going on for some time, increasing the tension between state interests and the interests of global societies. In 1977 Keohane and Nye argued that a system of complex interdependence has come into existence, characterised by multiple channels of connections between societies, and an absence of hierarchy amongst issues. This has led to two key developments: the absolute autonomy of states has been questioned and security issues can now no longer be conveniently separated from domestic ones. The domestication of security issues has meant that NGOs have begun to be more visible and vocal on the global security stage, demanding greater participation in, and access to, the arena in which decisions are taken.

Luard has written about the end of national security because he believes that in a globalised world no state can claim to provide security for the population within its territorial boundaries (1990: 18). Reflecting this belief, Soligen asserts that there has been too much attention given to inter-state negotiations when discussing issues of non-proliferation and that more attention should be paid to subnational and transnational actors (1995: 206). Underpinning this view is the belief that the security sphere should include a wide range of actors that have traditionally been excluded to create a new form of multilateralism that provides a mechanism for citizen



participation (1995: 215). Cosmopolitan critics of the state-centred world order reason that 'democratic security policies aim to remodel sovereignty rationally - democratize it - by nurturing more democratic and more effective world security institutions' (Johansen, 1991: 227).

### *Nuclear Weapons: the case for secrecy and transparency*

As indicated above the use of secrecy in nuclear security is widely accepted as the norm. In no other area of governance does the utility of secrecy appear so readily accepted. It has been suggested by Canetti that the whole nuclear era can be characterised by secrecy and that we find the realm of nuclear weapons secrets are at their most concentrated (1973ed: 345). This observation is born out by Stephen Aftergood who, when undertaking an investigation into secrecy in the United States government commented: 'No one disagrees that certain types of information such as the design of weapons of mass destruction must be protected from disclosure' (1992: 81). Thus, secrecy in the nuclear realm is often presented as both inevitable and necessary.

A positive view of secrecy is reflected by participants involved in sensitive negotiations like the NPT on the basis that it is both beneficial and rational to have discussions underpinned by secret diplomacy (Aftergood, 1992: 87; McGrew, 1997b: 255). Another motive for rejecting transparency is made by Bok who claims 'publicity tempts negotiators to "play to the galleries"...at the expense of the public good ... and when public exposure is selectively magnified by the media, biased public responses can damage negotiations long before they have been completed.' (1985: 725). In arms control negotiations because there is an atmosphere devoid of trust, agreement could only be made when all parties feel secure in the negotiation

process. Under these circumstances a legitimate claim for secrecy in the political process as the most responsible course of action can be made.

However, secrecy can also breed an environment of mistrust and suspicion that may lead to a more destabilised world in which nuclear weapons proliferate more widely. This is reflected in the security dilemma: 'the search for security on the part of state A leads to insecurity for state B which therefore takes steps to increase its security leading in its turn to increased insecurity in state A and so on' (Baylis and Rengger, 1992: 9). Secrecy fuels mistrust and competition between states which in turn makes the security dilemma more acute. As Bok argues (1982: 192) the more secrecy individual states exercise in military matters the more reason others have to reciprocate in kind. The rationale for military secrecy is self-preservation and is reflected in the pure power politics that characterises the state-centred perspective on international relations (see Chapter 1).

Some commentators have attempted to move beyond this view that the security dilemma is necessarily a constituent part of world politics by looking beyond state-centred conceptions of security to one which embraces a more accountable form of security which encompasses a wide range of participants and meaningful accountability (Walker, 1988: 125-26). On a philosophical level it encapsulates ideas labelled as 'cosmopolitan morality', which means that 'humanity has rights and duties that transcend state borders' (Wheeler and Booth, 1992: 52). From this perspective national security policies and the state system remains an impediment to the prospects for a more open and accountable system of multilateral global governance. Because secrecy prevails in the security domain, it means that those responsible for decisions cannot be held accountable for those decisions that profoundly affect people in the world (Johansen, 1993: 217). Falk describes this as a 'presumed priority on nuclear military policy ...

over and against the possible opposition of the citizenry' (1983: 200). When it comes to nuclear weapons there is a general refusal to accept the idea of public accountability (Falk, 1983: 201).

It is therefore, assumed that security issues transcend the usual practices of accountability including access to information and wider participation by NGOs in the policy-making process. Non-participants are asked to trust in the self-preservation of participants and their rationality (Bok, 1985: 713). It is widely acknowledged that trust is built upon public accountability in an open and transparent manner. Claims that secrecy is justified miss an essential point about the consequences of perpetuating an environment of secrecy. It is very hard to ensure secrecy is simply functional. Institutional secrecy can become embedded and lead to productive secrecy. This results in increased levels of secrecy in society, and reinforces the unaccountable nature of the relationship between the governors and the governed (Bok, 1985: 717).

I will now return to the issue of whether secrecy can be justified in specific circumstances such as multilateral arms negotiations. The argument in favour of concealment maintains that secrecy in multilateral negotiations accomplish the greater 'public good', whereas too much openness about the proceedings of meetings would compromise the negotiating process. Alternatively, is it sensible to trust the rationality of negotiators without a full and open means of accountability. Secrecy in the international context is more often than not justified on a utilitarian cost-benefit analysis and does not address whether this is morally defensible or the wider implications. (Bok, 1985: 718).

## *Nuclear Weapons and a 'New Security Agenda'*

In his 1992 work *Risk Society* Ulrich Beck maintains that because of the risks posed to society by technological developments in the modern era, the traditional secrecy which surrounds military security cannot be justified. Decisions must no longer be left only to scientists, industry and government, but should include a better-informed public and open participatory form of governance. What this amounts to is an appeal for a new type of accountability that transcends the existing institutions of governance and is reflected in the beliefs of cosmopolitan theorists (see Chapter 1).

The issue of security presents a set of wider concerns reflected in the report by the Commission on Global Governance. Where it is claimed that 'the concept of global security must be broadened from the traditional focus on the security of states to include the security of people and the planet' (Commission of Global Governance, 1995: 338). From this perspective, security cannot be conceived only with national interests in mind. Instead it needs to be thought of in terms of 'the security of societies' (Waeber, quoted in Shaw, 1997: 45). It is argued that the state-centred view of security should be replaced with one which has at its core a democratic conception of security which is open, transparent and participatory (Shaw, 1994: 45; Beck, 1997: 78). Shaw believes that indicative of this need for the increased accountability is the emergence of new, often transnational, groups and institutions with security concerns (1997: 45). This view is underpinned by a normative belief - shared by many NGOs - that the issue of nuclear security is too important to trust to governments and diplomats: 'the most potent antidote to war is to increase governmental accountability ... Thus an effective democratic security program intentionally tailors all its policies to implement the principle of accountability - internationally, nationally and locally' (Johansen, 1991: 226).

The scope of NGOs in the disarmament process is largely ignored by commentators in the security field. Lomas believes that NGOs can play a critical part in the evolution of the control of the proliferation of nuclear weapons, by challenging official expertise and fuelling an informed public debate (1989: 123). The Australian representative to the CD acknowledges the importance that these organisations play, and their value in keeping a wider set of interests on the agenda and increase the accountability of participants (Starr, 1995: 74). A global network of NGOs called 'Abolition 2000' is working towards the abolition of nuclear weapons. They have called upon states to, amongst other measures, 'create mechanisms to ensure the participation of citizens and NGOs in planning and monitoring the process of nuclear weapons abolition' (MEDCAT, 1996: 5).

It has been suggested that the motivation for various non-governmental groups involvement in disarmament negotiations is the use of secrecy by MGG. Many NGOs come into being to try and open up hitherto secret political processes. Acting in opposition to secrecy, they act as a counter balance to the overarching power of MGG. However, secrecy can have a negative impact on these groups feeding what has been described as their 'over dramatic' response to acts of concealment (Bloomfield, 1997). To overcome these deficiencies in NGOs it has been suggested that the boundaries of what should and should not remain secret need to be defined formally and arrived at by broad societal consensus (Bloomfield, 1997).

As discussed in the typology of transparency (see Chapter 3) the extent to which transparency can become more substantive is bounded by differing ideological positions. Johansen believes that security policy cannot be excluded from the processes of democratic decision-making and that secrecy, if allowed to dominate, will lead to conflict (1991: 210). Tickner writes, 'attention must be paid to democratic transnational social forces which are intensifying the interplay

between domestic and international factors...' (1995: 188). A global security is one that moves beyond looking through a purely international lens, rather it starts from the individual and moves up, encompassing a wide range of interests (see Walker, 1988; Falk 1991).

## **Global Security and the Origins of the Conference on Disarmament**

The 1990s have become known as the 'Third Disarmament Decade' (United Nations Yearbook, 1995b: 162). The increasing optimism for substantive disarmament and non-proliferation follows a history of failures and difficulties during the twentieth century. Of particular note are the failure of the League of Nations after the 1914-18 conflict and the subsequent limitations of the United Nations (UN) during the period of the Cold War. With the ending of the Cold War there is a belief that some substantive progress can be made limiting the proliferation of nuclear weapons amongst hitherto non-nuclear states (Bennett, 1995: 215).

Since the 1970s, the non-proliferation of nuclear weapons has generally been considered a success due to the adoption and implementation of the Non-Proliferation Treaty (see Wilmhurst, 1984: 21). Commentators have noted that stopping 'the proliferation of nuclear weapons among minor powers is frequently pictured as the leading current issue of global security' (White, 1995: 91). The importance of the NPT is reflected in the widely held view of it as 'cornerstone of the world's non-proliferation regime' (Simpson, Bailey and Howlett, 1996: 321; Müller, 1995: 21)<sup>77</sup>. Since the 1990s the NPT has become the key means of controlling arms proliferation at the multilateral level (Simpson, Howlett and Bailey, 1996: 321).

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<sup>77</sup> By 20 March 1995 a total of 175 parties had joined the Treaty (UN DPI/1654, March 1995)

Getting to the position of relative non-proliferation has not been a straightforward process.

Until the establishment of the Conference on Disarmament, the primary institution of multilateral arms control was the UN. The weakness of the UN in promoting a more peaceful world is, for some, reflected in the fact that the United Nations Charter does not contain within it a specific commitment to arms reduction. Although this might be assumed by its commitment to international peace and security in Article 11 (Bretherton, 1996: 132). For many the United Nations represents a flawed means of ensuring global security, not least because historically political realities have meant that disarmament issues are controlled primarily by the small group that make up the Security Council. As result of this some critics of the Non-Proliferation Treaty believe that it has been unsuccessful in its aim of restraining nuclear proliferation amongst the nuclear weapons states (NWS) (Bennett, 1995: 224). Thus, there is an on-going debate as to whether the UN is an effective multilateral forum for discussing disarmament issues. There are increasing demands for international regulation of security issues in the post-Cold War era, which reflects the globalisation of political issues. However, the UN as an institution is perceived as inherently weak, lacking the legitimacy or authority to act effectively (Mingst and Karns, 1995: 4). The failure to stop the proliferation of nuclear weapons horizontally (see below for elaboration) is, for many, a direct consequence of the international state system.

Concerns over the proliferation of nuclear weapons have led to a number of multilateral developments towards its global management. Following the end of World War Two the Atomic Energy Commission was established: 'The commission was to formulate and submit to the Security Council plans for eliminating atomic weapons, setting up regulations and safeguards, and assuring the use of atomic energy for peaceful purposes only' (Bennett, 1995 ed: 219).

As indicated, the issue of disarmament was sidelined as Cold War hostilities came to the fore. Post-1945 there were periodic attempts to get the process of disarmament moving. In 1952, the Disarmament Commission was formed which included both conventional and nuclear weapons in its mandate. In 1969, the title was changed to the Conference on the Committee on Disarmament (CCD), and finally in 1984, to the Conference on Disarmament (CD) (Bennett, 1995: 220). The Conference on Disarmament has now become the primary multilateral negotiating forum for disarmament and non-proliferation.

### *The Conference on Disarmament and the NPT*

The Conference on Disarmament (CD) is based in Geneva and draws its membership from both nuclear weapons states (NWS) and non-nuclear states<sup>78</sup>. Over the past twenty years its membership has expanded in an attempt to make it global in both geographical and political terms. The CD is the only global body that can produce legally binding international disarmament agreements (Simpson, Howlett and Bailey, 1996: 326). Although the CD is not an official United Nations (UN) body, the two are closely associated. The CD has its own procedures and agenda, but it takes into account UN resolutions and submits reports to the UN assembly. In addition, the budget of the CD is included in the UN's budget; the conference holds its meetings on UN premises; and its administration is undertaken by UN personnel (Goldblatt, 1994: 8). Thus, in summary, although the CD is autonomous, it is closely associated with the UN, and can, to a certain extent be considered as a part of that institution<sup>79</sup>.

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<sup>78</sup> A full list of the 52 member states can be found at <http://www.unog.ch/disarm/cd.htm>

<sup>79</sup> Whilst being closely connected to the General Assembly itself the other UN bodies that have close ties to the CD are the International Atomic Energy Agency (IEAA) and the United Nations disarmament Commission.



The centre piece of the CD is the Non-Proliferation Treaty which came into force on the 5 March 1970<sup>80</sup>. The Conference is the official forum at which the NPT is reviewed, and if necessary amended or extended. The primary aim of the NPT is to stop horizontal proliferation of nuclear weapons, and its existence represents a major achievement in this direction (Pearson, 1995: 79). The idea underpinning the NPT was to limit membership of the nuclear club in the short term whilst in the long term to both reduce and eliminate some class of nuclear weapons completely. It has been argued that: ‘...the conclusion of the NPT served to underline the *responsibilities* [my italics], as opposed to the attractions, of the international political power flowing from the possession of such weapons.’ (Lomas, 1989:103).

As the above indicates the function of the NPT places a responsibility upon participants to pursue a safer world free from the threat of further proliferation. The procedures of the CD allow for the full participation of its membership which in 1995 stood at 38. In addition, there are many observer states (who make up the other 179 signatories to the NPT) who have the right to attend meetings and express their views on particular issues of disarmament (Owen, 1995: 69). The representatives of non-member states may attend plenary meetings, submit written proposals and, at the invitation of the conference, express their views in both formal and informal meetings (Goldblatt, 1994: 8). Once agreement has been reached in private, the plenary meetings of the Conference are normally held in public with agreement, if possible, arrived at by consensus; in formal diplomacy this can take the form of either ‘consensus with a resolution’ or ‘consensus without a resolution’ (Kaufmann, 1996: 28-29). It is argued that this form of quiet diplomacy increases the flexibility of participants and avoids negotiators playing to a particular audience.

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<sup>80</sup> The original NPT was signed on 1 July 1968 and formerly entered into on 5 March 1970 (Howlett, 1997). There have been five review conferences one held in 1975, 1980, 1985, 1990 and 1995.

Without consensus and agreements amongst the participants the obligations of international agreements are more difficult to enforce (Goldblatt, 1994: 9). In terms of neoliberal-institutionalism, the NPT is premised upon co-operation around an agreed set of norms, rules and values (see Chapter 1). The NPT is based upon transparency because without knowledge of the intentions of states, the co-operation on which the NPT is founded cannot work (Van Ham, 1993: 38). The NPT is a collection of treaties, agreements and voluntary guidelines, that work towards preventing the spread of nuclear weapons. Where agreement cannot be reached voting plays a role and this will be examined further below in relation to the 1995 NPT Conference.

## **The 1995 NPT Review and Extension Conference**

The Conference on Disarmament met for the 1995 Review and Extension Conference of the Non-Proliferation Treaty at the UN, in New York, from 17 March to 12 May 1995. The need for the successful re-negotiation of an extension to the NPT was given added symbolism coming as it did 50 years after the anniversary of the nuclear attack by the United States upon Japan. The main objective of the Conference was to review the implementation of the Treaty's provisions and to decide its period of extension. The original Treaty stipulated that after twenty five years members should meet to decide upon a period of extension. A Review Conference has been held every five years since the Conference's inception in 1970. The NPT is not indefinite and so the 1995 conference was given heightened significance as one of its purposes was to decide the period of its extension and renewal.

At the 1995 Conference there were primarily three choices that participants had to decide upon. The choices being between, extending the treaty for a specific time period; continuing it indefinitely; or letting it expire (Van Ham, 1993: 17). Pressure to complete the signing and

extension and renewal of the Treaty was compounded by the knowledge that if it expired the negotiation of a new treaty might be a complex and long drawn out affair. The fact that the original Treaty took nineteen years to broker meant that each participant had a substantial responsibility to extend the treaty (Graham, 1994: 90).

On the face of it, the outcome of the 1995 Review and Extension Conference of the NPT was a success with the Treaty extended indefinitely, and its extension welcomed by the UN General Assembly (see Resolution 50/70 C). It was decided to extend the treaty indefinitely with review conferences every five years to accommodate changing circumstances. The popular perception of the 1995 NPT was that its success was based upon the Treaty gaining universal acceptance amongst the participants. Jayantha Dhanapala of Sri Lanka (the 1995 Conference President) claimed that the successful conclusions of the conference ‘usher[s] in an era of stringent accountability by the NPT states’ (quoted in BASIC, 1996: 1). Despite the claims, the undercurrent of discontent that pervaded the Conference was revealed in the failure of the participants to agree on a final statement. Whilst the outcome might be considered positive, however, the manner in which it was achieved needs to be examined further in light of the earlier discussion on transparency and accountability.

### *The 1995 NPT Preparatory Committee*

Prior to the Conference proper, representatives meet regularly at lower levels in preparatory sessions. The Preparatory Committee (PrepCom) plays an integral part in laying the foundations for the Conference on Disarmament. The aim of these meetings is to pave the way towards a successful outcome before the participants meet and the conference commences. The hope is that the conference proper can then deliver on its stated aims, reinforced by the authority of a consensus amongst the participants with disagreements kept to a minimum.

The NPT PrepCom for the 1995 Conference took place between 23 and 27 January 1995. One particular issue under discussion was the decision-making procedure that would be adopted at the conference. Differences existed between supporters of consensual decision-making and those of majority voting based upon a secret ballot (discussed in more detail below). Prior to the commencement of the Conference, the aim of the nuclear states was to persuade the non-nuclear states of the merits of agreeing upon an indefinite and unconditional extension of the Treaty. It has been noted: ‘...the highly charged political nature of the Conference was calibrated at an early stage. [The renewal of the NPT] was clearly established as a high-priority objective of the Western and Eastern European groups...’ (Dhanapala, 1995:2).

Non-governmental groups who also attended the PrepCom had different ambitions. These NGOs and their representatives whilst not invited to participate (compare with the G-7 preparatory stage, see Chapter 5) attempted to lobby the participants and to make recommendations to the delegates which they hoped would then be adopted. This included a possible participatory role for NGOs in the NPT review process. This it was argued would enhance the legitimacy and transparency of the review processes. In an interview Janet Bloomfield, an NGO representative who attended the 1995 PrepCom, maintained that the NGOs were there on sufferance and that all they could expect from the PrepCom was ‘crumbs from the table’ (1997). At the PrepCom therefore, whilst NGOs maintained a high profile outside the meetings they were not allowed inside to even view proceedings. The level of participation was restricted to presenting statements of their aims and objectives to the media and any state representative who would listen.

## Conference Proceedings and Political Manoeuvring

In the introduction to this Chapter I suggested that a key area to consider is the distinction between the Conference outcome, and the process by which it is arrived at, and the implications for accountability. As already indicated, the preferred outcome for the Conference was a decision to renew and extend the NPT based upon a consensus without having to resort to a vote among participants. Recognition of the importance of consensus was highlighted by the Conference President Jayatha Dhanapala who stated that, 'the public display of a division in the ranks of the NPT parties on the extension issue could have serious repercussions for international security' (1995: 5). Of interest here is the recognition that public dispute might put the outcome in jeopardy, and ultimately undermine global security. Even though a majority vote would suffice, it would lack the moral authority of a decision reached by unanimous agreement.

The difficulty of arriving at a consensus is compounded by the realisation that in the post-Cold War era negotiations are no longer divided along ideological lines, and now rather than two dominant views, there may be a diversity of opinions being expressed. This problem is compounded by the composition of the NPT still based upon Cold War structures, resulting in the need to create agreement between those groups who had previously been allied but who no longer share the same ideological commitment<sup>81</sup>. Secondly, there is a discrepancy between those states which are the nuclear powers and the others. This discrepancy is well illustrated in the debate over whether a secret vote should or should not take place. The nuclear weapons states wish to avoid a secret ballot whilst the less powerful states favour it. Therefore, if agreement by consensus cannot be reached and it goes to a secret vote then it may not become

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<sup>81</sup> The participants were grouped into four: the Group of Western States and Others; former Eastern European and Soviet countries; the non-aligned Movement and finally China by itself.

known which states are responsible for opposing a particular proposal (Dembinski, 1995: 53-54). The implications of a secret vote at the 1995 Conference on Disarmament are discussed in more detail in the next section.

An argument for more transparency in the NPT process is made by those who want to see 'transparency of attitude' (Ayewah quoted in United Nations, 1994: 120). This attitude referred to the actions of the nuclear weapons states (NWS) towards non-nuclear states. Critics from the non-nuclear states argue that the NWS do not make their intentions clear and that whilst the NWS commit themselves to the discourse of transparency, in reality what is hidden is their real attitude towards their nuclear capability and position on proliferation.

This view was reflected from the outset of the 1995 NPT with the United States government advocating an unconditional, indefinite renewal of the Treaty. To achieve this they needed to overcome the objections of about twenty developing nations who viewed the Treaty as discriminating against them. The Conference on Disarmament, like many other multilateral institutions is often perceived as an organisation dominated by a few states. The dominant states being those that already have nuclear weapons. Their primary motivation in renewing the NPT is to stop non-nuclear states obtaining nuclear weapons, thereby maintaining their dominant position. There continues to be an on-going dispute between the majority of countries and some non-nuclear states which view the Treaty as essentially favouring those that are already nuclear powers.

Representatives at the Conference had a responsibility to ensure that the nuclear disarmament process should be speeded up, with its scope deepened and widened (Ghose, 1996: 2). The Indian representative observed that this process of deepening and widening requires greater openness in the official committee of the Conference on Disarmament rather than an 'esoteric

club of vested interests' (Ghose, 1996: 2). Greater openness amongst participants (internal transparency) would facilitate the process of renewal. For example, the decision-making procedures at the PrepCom for the NPT have been criticised by the Mexican Ambassador who claimed that 'they [the NWS] want us to discuss the questions of procedures behind closed doors and to take decisions by consensus' (BASIC, 1995a: 3); the implication being that disputes remain concealed without the ability to resort to voting against the Treaty to register opposition.

The terms of reference of the Main Committees (MC) at the NPT were to debate the contents of the Treaty and this is where, it is said, the in-detail reviews took place (Kelle, 1995: 43). Conversely the political manoeuvrings in the week leading up to the agreement of the NPT have been described as 'committee discussions, corridor manoeuvring, hotel room bilateral exchange and back and forth cable traffic' (Dunn, 1995: 6). This description highlights very well the degree to which secrecy and restricted access acts as a lubricant to the negotiation process.

The accountability of the main committee was to be provided for in two ways. Firstly, any state party could attend and participate in the Conference discussions and look at the working group documentation. Secondly, the reports produced were then subject to approval by the Conference committees. Other groupings relied upon President Dhanapala to ensure accountability, which he did through the composition of committees to include a range of views (Leigh-Phippard, 1997: 174). International diplomacy, however, can take different forms and the CD is a part of what has been described as parliamentary or conference style of diplomacy. Conference diplomacy has four main features: open, public debate; voting as a means to terminate a debate; agreed rules and practices, and finally an agenda with scope beyond the specifics under question (Kaufmann, 1996: 67; Bailey and Daws, 1995ed). This type of

diplomacy has been differentiated from traditional diplomacy which is usually conducted in private session. Critics, however, have noted that conference diplomacy rarely fulfils the degree of openness that the ideal would suggest, rather it is replaced with what has been called 'quiet diplomacy' (Kaufmann, 1996: 68). Quiet diplomacy whilst crucial for building up the momentum for agreement and avoiding derailment did nothing to enhance the overall openness of the NPT beyond a narrow internal measure of transparency (Dunn, 1995: 5). This is evidenced by the lack of information about political proceedings that emerged and the exclusion of interested parties other than states.

As noted above a key objective of the 1995 meeting of the CD was to ensure that a final declaration was produced by a consensus. Without this, the Conference would be considered by the majority of the participants to have failed in its aims of securing the moral authority of the NPT<sup>82</sup>. One strategy adopted to ensure this successful outcome was the use of group co-ordinators who were encouraged to report on proceedings to separate representative bodies to ensure 'transparency and accountability' in proceedings (Dhanapala, 1995: 9). This transparency was assisted by weekly press conferences held by the Conference President and thus there were elements to be found of internal and external transparency at the NPT.

As might be expected the associated press releases placed a positive gloss upon the negotiations. For example, it was reported that the NPT has more signatories to it than any other arms limitation and disarmament agreements (United Nations, 1995b). This type of benign information can be contrasted with the way in which other more sensitive information was concealed from the public. One of the concerns of the Conference organisers was that the delicate negotiations should not be jeopardised through the public knowledge of differences. By

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<sup>82</sup> As it happens the Conference did fail to produce a final declaration for the review aspect of the meeting. Primarily this was because priority was focused upon the extension issue.



keeping these differences concealed it was hoped an eventual consensus could be arrived at amongst the participants.

Dhanapala asserted that the successful completion of the 1995 NPT would make the Treaty participants accountable to the objectives of the Treaty (1996: xi). Conversely, critics argue that the limitations of the NPT were primarily due to nuclear weapons states failing to implement the terms of the agreement effectively by failing to halt the modernisation of their nuclear weapons systems (van Ham, 1993: 18). There are two criticisms that can be levelled at the CD negotiating process. Firstly, the purpose of the conference is to provide a framework of co-operation among states in order to achieve a specific set of policy goals (Van Ham, 1993: 33). As a consequence the issue of accountability is a secondary concern, with the outcome being more important than the process by which an agreement is arrived upon. Secondly, the NPT allows for any signatory to the Treaty to withdraw at three months notice if the interests of the country are threatened (Van Ham, 1993: 37). This has the effect of institutionalising within the NPT a form of non-accountability to the wider world justified by the principle of state sovereignty.

### *The NPT and the Secret Ballot*

A lack of transparency in sensitive negotiations can cause a more desirable outcome than would be achieved by greater transparency. Equally, secrecy can become a strategy adopted by those who wish to hide their intentions to protect themselves from the pressure of other participants in the negotiation process. Secrecy in this context as a means of protection takes the shape of a secret ballot. Critics of the secret ballot claim that its use is a denial of responsibility as participants actions are kept concealed. The secret ballot is an integral part of

procedural democratic practice (see Chapter 2), although full accountability is compromised by the ability to keep behaviour secret.

In the procedures of the 1995 NPT there was a distinction made between the Review and Extension components of the negotiations. As noted in the previous section under the rules of the treaty the review was undertaken by consensus, whilst the decision to extend the treat, or not, requires a majority decision (Kaufmann, 1996: 31). Although it is generally regarded as desirable to achieve agreement through consensus, if this cannot be done then a secret ballot is held. The non-aligned countries meeting before the NPT conference decided to instruct their representatives to the NPT Review and Extension Committee to support rule 28(f) to the effect that all proposals be voted upon simultaneously by secret ballot.

This is significant not least because there exists in multilateral disarmament negotiations a long tradition of decision-making by consensus (Kaufman, 1996: 31). The nuclear weapons states wanted a simple majority to be all that was necessary to renew and extend the Treaty. This was because they anticipated resistance from some of the non-aligned states (NAS) who wanted either a secret vote or agreement by consensus. This would allow the NAS either to vote against the extension, or in open debate make their feelings known on what they perceive to be the inequality of the NPT, which favours the NWS. Although a simple majority would suffice in formal terms, it would mean that the NPT would not have the authority that would come from agreement by universal consensus.

The contested nature of secrecy is writ large in the dispute over the decision-making procedures at the 1995 Conference on Disarmament. The NWS favoured a final decision by consensus, however as the Conference progressed this looked unlikely. Because of this, the next favoured

strategy by the NWS was a vote. The US representative, Al Gore criticised those countries that wanted to hold a secret ballot on the future of the NPT when he asserted 'nations who call for accountability must accept the burden of accountability' (Financial Times, 20-4-95: 6). The implication is that concealment of a secret ballot, undermines the argument of the non-nuclear states by making them appear to want to avoid their own accountability in the NPT process. Conversely too much transparency in the secret ballot would have left the NAS vulnerable to pressure from the NWS (Müller, 1995: 22). Thus, whilst the focus of the Conference was upon the outcome this does not mean that the importance of the political processes that lead to them can be ignored.

The issue of full and open accountability had to be balanced against the concerns of the NAS, many of whom had come under intense pressure from the NWS to agree to the renewal and extension of the NPT before the conference had even started. Because of what many considered to be unnecessary pressure, there was a refusal by some in the NAS to be subject to increased external influence through open voting (Howlett, Leigh-Phippard and Simpson, 1996: 15). A tension existed between calls for a secret ballot and demands for increased accountability amongst participants. Whilst the non-aligned states remained in favour, the NWS opposed this on the grounds that a vote would undermine the legitimacy of the outcome (Dunn, 1995: 6).

In response to the issue of secret or open voting, a report by the British and American Security Information Council (BASIC) states that the issues are different from the usual justifications for secret ballots (see Chapter 2): '...the situation is of course different when representatives vote on behalf of their countries on an international treaty like the NPT. Open voting is the norm in the UN, and a secret ballot for the NPT would have created an unhealthy precedent.' (BASIC, 1995b: 10). Despite the conflict over the open or secret procedures in the voting

process, the final agreement of the NPT was adopted without a vote with delegates from 178 countries signing up to an agreement to renew indefinitely the non-proliferation treaty. This included a commitment by the NWS to a program of nuclear disarmament. This declaration would provide a source of accountability by which the NWS could be assessed (Alley, 1996: 2).

### *Access to Information and NGO Participation*

It has been acknowledged that NGOs have played a critical part in publicising how the NPT contributes to global security (Dunn, 1995: 5). It is argued therefore, that the role of non-state actors in the process leading to the successful renewal of the NPT requires consideration (Alley, 1995: 15). Increased access to information would enhance the legitimacy of the NPT and make it more difficult for countries to default on the Treaty conditions. However, in reality at the 1995 NPT access to NGOs was limited by the concealment of information (Alley, 1997: 16). Whereas the application of transparency from below would ensure the participation of citizens and NGOs in planning and monitoring the process of nuclear weapons abolition (Abolition Caucus, 1995).

Under the provisions of the NPT there is no obligation by states to provide more access to information or wider participation by non-state actors. In 1992 transparency was defined by the United Nations as being 'the systematic provision of information under formal or informal international arrangements' (United Nations, 1992: 75). In a sense the CD fulfilled this with levels of external transparency. The NPT had a wide range of official documentation available in the public domain, including terms of reference and organisation of work<sup>83</sup>, summary

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<sup>83</sup> See for example, NPT/CONF.1995 1.

records of the meetings<sup>84</sup>, verbatim records of meetings<sup>85</sup>, background papers<sup>86</sup>, and provisional list of participants<sup>87</sup>.

The CD remains an explicitly multilateral organisation formed and sustained by its members thus reflecting the existing state system. This traditional state-centred model has been challenged by NGOs which have been accorded observer status (Mingst and Karns, 1995: 37). Most specialised UN agencies make provision for limited NGO participation, and this includes the CD. For example, before the NPT 1995 the NGO Committee on Disarmament (which includes more than 200 NGOs) made a declaration urging governments to take action to ensure the success of the NPT (United Nations, 1994).

Access and participation by NGOs and individuals, other than government delegations was limited. Despite this, at the 1995 NPT there was evidence of more openness by some delegations than others. For example, the Mexican and Malaysian delegations invited NGO representatives to come and talk to them so that both groups could give mutual support to their respective disarmament campaigns (Bloomfield, 1997). Here the move towards enhancing transparency can be interpreted as a political strategy undertaken by governments to get their point of view disseminating to a wider audience as well as acting to embarrass the more powerful nuclear weapons states through their own domestic audiences.

Alley looks at the role of NGOs in the NPT and claims that they contributed to the treaty renewal. He claims that the role of NGOs in this context is to 'alter priorities about nuclear weaponry [and] go beyond most state-centred investigations of nuclear proliferation (1995: 15).

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<sup>84</sup> See for example, NPT/CONF.1995/MC.I/SR.1.

<sup>85</sup> See for example, NPT/CONF.1995/PV.18.

<sup>86</sup> See for example, NPT/CONF.1995/2.

<sup>87</sup> See for example, NPT/CONF.1995/Misc.1.

One person who did gain access was NGO activist Rebecca Johnson (see ACRONYM reports, 1995) who was allowed to view the proceedings although she was tied by Chatham House rules regarding confidentiality. However, it was reported by Johnson (1995) that once the doors of the committees were closed for drafting, the main source of information was 'the corridors and coffee lounges'. As the Conference progressed Johnson found access to delegates and proceedings became more difficult (20-4-95). In reaction to Al Gore's pronouncements about increasing the accountability on the NPT process, Johnson maintains that this should be extended into other areas and include access to information about the debates leading up to the decisions (20-4-95).

It has been said that some NGOs that participate have been co-opted by the national delegations. For example, the Office of Disarmament Affairs at the UN has been criticised for representing governments more than NGOs (Bloomfield, 1997). Similarly, an NGO from the United States called the Campaign for the Non-Proliferation Treaty has been accused of being co-opted into representing the United States government position (Bloomfield, 1997). This raises the possibility of a 'double-movement' towards more accountable institutions of MGG. The first movement is the discourse of accountability adopted by MGG, and the second movement is the inclusion of NGOs<sup>88</sup>. However, problems arise when, NGOs become co-opted by the institutions of MGG. The inclusion of NGOs gives the appearance of greater accountability through greater access by non-state actors, whereas in reality these groups are constrained by the interests of the most powerful states. Thus, the discourse of transparency and the inclusion of NGOs can be interpreted as a 'double movement' towards accountability. It represents the possibility of greater transparency through NGO access to information and

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<sup>88</sup> David Held writes about *double democratization* which is about the independent transformation of both state and civil society (1996: 316).

participation. Alternatively, the co-option of NGOs is one means of constraining critical voices by integrating them into the political process.

## Conclusion

The successful outcome of the 1995 NPT has been presented as a significant contribution towards the building of a world secure from the threat of nuclear proliferation<sup>89</sup>. The signing of the NPT produced a commitment to the goal of a nuclear free world. In view of this, it is legitimate to ask whether we should be concerned about how that agreement was reached and whether or not the process was transparent. It can be argued that its success was linked directly to a lack of transparency (other than internal transparency, although even this was limited at times). In fact, secrecy can be considered the necessary lubricant to diplomatic negotiations that ensured its success. Furthermore, because there was no secrecy over the fact that negotiations were under way, or about the parties involved, and the terms of the NPT extension and renewal, it can be claimed that secrecy was a minimal concern.

Other factors contributed towards the levels of secrecy at the CD, including the desire for a secret ballot, and the state-centred view of nuclear issues. However, NGOs and other interested non-state parties believe that decisions about the security of the whole world should not be kept concealed or dominated by the most powerful actors, reflecting state interests over more global concerns. A more critical idea of security recognises the need for a plurality of participants to increase the capacity for good governance. In this way it can be argued we can avoid the worse consequences of living in a world threatened by nuclear risks (Coote, 1988). This would require greater access to the decision-making process to ensure that the functional secrecy

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<sup>89</sup> The recent conflict between India and Pakistan makes this an even more pressing concern.

necessary for effective decision-making does not contribute to normalising an environment of institutional secrecy and thereby increase the potential for productive secrecy.



## Conclusion

This thesis has addressed the issue of accountability in MGG. In Chapter 1 I assert that globalisation has enhanced the regulatory authority of MGG and that this has led to questions about the extent to which these institutions can be held publicly accountable. Underpinning the discussion are the concepts of transparency and secrecy, and a paradox: on one hand there exists a discourse of transparency which promises to deliver increased accountability, but on the other, secrecy remains a dominant feature of MGG. To explain the implications of this for accountability I return to the three questions posed in the Introduction to see what conclusions can be drawn from the research as a whole.

### The Key Questions Revisited

*How have different assessments and theories of globalisation informed the discussion of accountability in MGG?*

To the first question concerning the way in which the literature on globalisation and multilateral global governance has failed to engage fully with the complex issues of achieving more openness and accountability in institutions of MGG. In Chapter 1 I outlined how the processes of globalisation have created the conditions for the growth in authority and regulatory power of MGG. As a consequence the ability to hold these institutions publicly accountable is a significant concern. The rationale of the end of the state thesis implies that accountability is undermined as states give up autonomy to autonomous market mechanisms

and multilateral forms of global governance (Held, 1995; Strange, 1995). Accountability is further weakened as governance mechanisms move further from locations of popular accountability. Furthermore, the logic of the market de-politicising the political process and undermines the idea of accountability in MGG. This view of a defective state is challenged by those who believe that the myths surrounding globalisation act to reinforce a particular ideological position and enable governments to hide from the negative effects of globalisation (Cox, 1994, 1996a; Gills, 1992, 1995).

The evidence from all the case studies, to differing degrees, supports the claim made in Chapter 1 that the regulatory power and authority of MGG has grown and that states have had to cede some of their authority to this institution (Drucker, 1993: 142; Williams, 1996: 115: 118; Held, 1993, 1995). This is illustrated firstly, by the ineffectiveness of isolated state action in global affairs, for example the ability of the Mexican government to protect the peso, the G-7's management of the global economy, and the need for co-operation in the extension and renewal of the NPT. Secondly, common to all the institutions examined in the case studies is a belief that globalisation is irreversible and that the function of MGG is to manage the process as effectively as possible. Evidence can be found for this in the G-7 communiqué, the World Bank and the Arun-3 Dam Project, the IMF's response to the Mexican Peso Crisis and the desire to renew the NPT. Thirdly, in the IMF, World Bank and G-7 cases there is evidence of the continuing dominance of market ideology with a corresponding de-politicising of economic activity promoted by institutions of MGG. Fourthly, in three of the four case studies the governance mechanisms are kept distant from locations of popular accountability by excluding wider participation and openness. These findings support the claim I make in the Introduction and Chapter 1, that the issue of accountability needs to be placed at the centre of any analysis of multilateral global governance to present it with a clear focus.

In Chapter 1 I surveyed four theories of global politics to see how each theoretical perspective assessed the prospects for accountability in MGG under conditions of globalisation. From a state-centred perspective the key factor limiting the idea of accountability in MGG is the continuing primacy of the state. During the Mexican Peso Crisis the IMF proved to be a powerful regulatory body underpinned by the authority of the United States. The Fund's intervention to stop the financial crisis, and its ability to create confidence in the markets suggests that global forces can be managed effectively. This supports Paul Hirst's assertion that the ungovernability of markets is exaggerated and that state constituted institutions can be effective (1997: 211). The CD and the renewal and extension of the Non-Proliferation Treaty (NPT) case study can be interpreted as the continuation of traditional power politics amongst states, with the most powerful states using the mechanism of MGG to advance their agenda. The world order remains dominated by states, and state interests make the possibility of wider public accountability more difficult. In all four cases the institutions of MGG act to undermine greater accountability by justifying limits to transparency and denying access to information on the basis that it would undermine the relationship between the institutions of MGG and its members. The IMF, G-7 and Conference on Disarmament, reinforce the belief that accountability in MGG is a concern only in as far as it refers to the internal procedures between state participants.

The neoliberal-institutionalist perspective remains largely unconcerned about the issue of public accountability in institutions of MGG. This is primarily due to belief in the primacy of market mechanisms, the positive benign role of MGG and the view of accountability as a technical as opposed to an ideological or political problem (Hurrell and Woods, 1995: 453-4). For example, from this perspective IMF secrecy can be defended on the basis of market interest and confidentiality (see Chapters 1 and 4). According to neoliberal-institutionalism the market

is apolitical, and if market stability requires that the IMF acts in secrecy, then it does so not for political or ideological reasons, but in the interests of a stable global market. From this neoliberal-institutionalist perspective, the idea of transparency is applied primarily to the information the markets require in order to avert a crisis and to ensure co-operation between a multiplicity of actors. The issue of wider public accountability remains largely secondary for neoliberal-institutionalism, with market efficiency and regulation given greater attention. In the case of the IMF, the G-7 and the CD, the priority from the neoliberal-institutionalist perspective is on reaching agreement and generating a successful policy outcome. This aim is more valued than wider accountability, transparency from below or questioning the ideological neutrality of economic process and institutions of MGG.

From the radical perspective the peso crisis highlights the unaccountable nature of the IMF and the political implications of globalisation. The market is not apolitical and for this reason it is vital that the Fund's policies and deliberation processes are open to public scrutiny. What is more important is that the capitalist structures that underpin the global economy be brought to account by civil society. It is questionable whether increased transparency could achieve this, not least because it is an ineffective means to challenge global market forces. The peso crisis, provides a good illustration of the reordering of global authority and the way in which responsibility for public policy has ceded away from the national level to MGG. It is argued by radicals that this reordering has resulted in the reconstitution of the state 'so that it behaves in a market-friendly and business orientated manner' (Gill, 1997a; 14).

According to the radical approach, the secretive manner of the G-7 reflects its central role in the restructuring of world order. This perspective also views with pessimism the success of social movements in holding the World Bank to account for its policies. In the case of the

Arun-3 Dam Project the success of the counter hegemonic movement was not due to a reconfiguration of structural forces; rather this case was a one-off with the Bank's President Wolfensohn wanting to present himself as open to suggestions and flexible in his new job. It also allowed him to stamp his authority on his new position by challenging the old order. Thus the radical position remains pessimistic about the possibility for more accountability in MGG.

In advocating cosmopolitan democracy David Held does present the possibility for more accountable institutions of MGG. The optimism of Held provides a counter balance to the pessimism of the radicals approach and the lack of concern of neoliberal-institutionalism. Whilst the evidence in the four cases does suggest that the cosmopolitan position has a long way to go, there is evidence to suggest that it may be possible. For example, in the case of the G-7, the Canadian government included a wider range of interested parties in the pre-summit discussions on policy. This principle could be extended to all G-7 governments and include more extended dialogue between groups, NGOs and state representatives.

The Arun-3 Dam Project offers an example of an institution of MGG responding positively to the collective and individual opposition to one of its projects. The role of the Inspection Panel gives recognition to a shift in the traditional relations between the World Bank, its members and the public. The success of opponents of Arun-3 challenged the view that the World Bank cannot be held directly accountable for its projects. In doing so they also challenged the moral authority of the Bank to impose its world view on societies. This example gives the cosmopolitan argument some substance; with the right of indigenous groups to challenge the World Bank's policies through the Inspection Panel, thereby acknowledging the autonomy of groups and individuals in society. Furthermore, it suggests that the process of MGG is more than just a matter of intergovernmental or interstate co-operation (Holton, 1998: 78). In all four

cases there is a case to be made to support the normative aspiration of the principles of cosmopolitan democracy. For example, a rights-based agenda in MGG might include a right of access based upon the principle of an individual's right to know about the activities of MGG. From this perspective information would only be withheld where it could be proved that revelation would damage the public interest. Of course policing such an exemption would be difficult. The answer might be the creation of more independent inspection panels reflecting the World Bank model.

In the Introduction I articulated a distinction between multilateral and global governance. I argued that by integrating the two ideas it suggests a normative framework for more accountable institutions. From the radical and state-centred positions the prospects for this appear to remain pessimistic. The case studies suggest that transformation from a limited and exclusive form of MGG into a more inclusive and open global governance is still a distant proposition. Neoliberal-institutionalism whilst more open to the idea of accountability in MGG, limits its usefulness by its narrow focus on co-operation between states, the maintenance of international agreements and its uncritical acceptance of market mechanisms. The limits of these three perspectives should however (and I agree with McGrew here) not stop us thinking about what a more open and accountable form of governance should be like (1997b: 241). The possibility remains within the cosmopolitan perspective for the reconceptualisation of a global society that includes a wide range of actors and more accountable institutions of MGG, including more openness, resulting in a more complex idea of multilateralism (Shaw, 1994; O'Brien, 1997).

*Does the discourse and practice of transparency enhance or undermine accountability in institutions of global governance?*

The second question posed was about the extent to which the discourse of transparency is more than just a rhetorical device designed to placate the critics of institutions of MGG. The key issue is whether the discourse amounts to more than grand words, or whether it is, or can be, something more substantive. In the examples cited, the World Bank appeared to move beyond rhetoric, whilst the IMF, which seemed to be willing to talk of the need for transparency, remained closed and secretive. The G-7 Halifax Summit and the CD present a set of less clear-cut conclusions. Although both cases allowed for some limited transparency during the initial stages, they still remained largely exclusive and closed to external access and participation.

An important consideration is whether the discourse of transparency has been utilised by governing institutions as a useful device to legitimise their activities. By adopting the discourse of transparency and giving the appearance of openness, a picture is painted of a more open, accountable form of MGG that can be trusted to act in the interests of all. The discourse of transparency promises more openness, however, the reality is that much of the information released is either superficial at best and at worst non-existent (Lasch, 1995: 170). For example, in all but the World Bank case, the institutions appear opposed to providing ready access to information about the activities of internal committees and groups.

In Chapter 3 I suggest that one way to explore the relationship between MGG and wider society is to see to what the extent these institutions adopt the principles of good governance. The argument follows the logic that if the institutions of MGG want their procedures to be considered as good governance, then it requires them to act in an open and transparent manner. The case studies support the assertion in Chapter 3 that institutions of MGG although

advocating the principles of good governance are reluctant to apply them to themselves. Thus I conclude that the case studies illustrate examples of the failure of institutions of MGG to comply to the principle of good governance.

In the case of the G-7 Halifax Summit, the Canadian Government proved to be something of an exception to the other participants, allowing transparency and participation in the policy-making process, albeit on a limited basis. The Conference on Disarmament, like the G-7 Conference, exhibited a limited type of transparency by allowing a degree of openness at the beginning of proceedings. The World Bank, by setting up the Inspection Panel, attempted to introduce the principles of good governance but fell short of the expectations raised by the discourse of transparency from below. During the Conference on Disarmament there were limits placed on transparency, participation and accountability. This can be justified by the need for the traditional secrecy associated with arms negotiations and reinforced by the continuing primacy of state actors. Participation was limited and transparency diminished as negotiations progressed, resulting in limited access to conference proceedings.

Considering the evidence here, the idea of good governance delivering greater accountability in institutions of MGG is constrained by ideological factors. It is essentially premised upon a neoliberal-institutionalist view of the world in which world markets are essentially benign and the function of MGG is to help them work more effectively. The primacy given to economic markets over the political content of good governance leaves the concept flawed as a means of increasing accountability. For this to change, good governance would need to be reconceptualised by putting society before economics, and wider public accountability before the interests of markets.



Critics of too much transparency in institutions of MGG claim it may generate negative outcomes for accountability. Firstly, that by becoming more transparent the institutions of MGG may in effect be externalising accountability to the institutions of MGG when it should be the member states who are accountable and not the institutions themselves (Woodward, 1993: 6; Stevens and Gnanaselvam, 1995: 104). Secondly, too much transparency may result in some member states concealing information if they believe its disclosure will harm their domestic situation, and as a result there is a reluctance to apply these principles in practice. However, this avoids the fact that restricting information insulates MGG from public pressure. This becomes of even greater significance when the domestic reforms advocated by MGG risk being overturned by public pressure (Hildyard and Wilks, 1998: 51). From this perspective better governance would follow from increased transparency because it would be perceived as accountable, legitimate and as a consequence more effective.

In Chapter 3 I identified four types of transparency. Of these, internal transparency was found to be of limited value for generating increased accountability. During the peso crisis there was evidence of a lack of internal transparency which helped the IMF push through its largest loan to date. By contrast, the success of the G-7 Halifax Summit was due to high internal transparency which allowed participants to talk freely in the knowledge that their discussions would remain confidential. In the Conference on Disarmament, the evidence is mixed, although it would appear that the success of the CD was based upon encouraging internal transparency whilst keeping strict limits on other forms of transparency. Furthermore, the discourse of transparency was applied to put pressure on the non-aligned states to agree to a secret ballot. The case against a secret ballot was fought in the name of increasing accountability. Conversely, this call for greater transparency and accountability could be interpreted as a device that suited the interests of the nuclear weapons states. It is difficult for less powerful

actors to reject the idea of transparency and accountability as it would appear that they were also rejecting the principles of good governance. The notion of good governance creates a sense of self-evident legitimacy that makes the idea difficult to challenge.

Of the different types of transparency, external transparency has become the most widely used within multilateral institutions. Its quantity and quality were found to vary between the institutions and ranged from poor in the case of the IMF, to good in the World Bank with its policy on disclosure. At the G-7 Summit in Halifax external transparency was exhibited in the media briefing supplied to the press and the Summit Communiqué. Similarly at the CD, press conferences were held to report upon the main developments of the negotiations. However, the scope and quality of information released was mixed. In the case of the G-7 and the CD, information was released after decisions had been reached. In the case of the World Bank it was once the project details had been finalised; whilst in the case of the IMF much relevant information has still not been released.

Top-down transparency was found to be important as a source of discipline on domestic markets and as a means of surveillance by MGG. The use of top-down transparency is widely used by multilateral institutions as a means of ensuring the compliance of member states in maintaining market friendly policies, and in the security sphere for constraining arms proliferation. It conveys a degree of accountability, but in one direction only, and benefits the most powerful states. In this sense MGG acts to 'polic[e] a new regime of market access, economic and geopolitics' (Agnew and Corbridge, 1995: 165).

Transparency from below was found only in a limited form during the Arun-3 Dam Project. It is an example of direct participation between individuals, groups and the World Bank.

However, optimism for it must be qualified, as the evidence showed that the terms of engagement were dictated by the World Bank, and that the Inspection Panel remained closely associated with the interests of the Bank. In the other three cases participation was either limited or non-existent. Despite the energy and commitment of the NGOs at the G-7 Summit in Halifax and the Conference on Disarmament they remained excluded from political process.

I conclude from the cases that without the political will to implement it a broad, undefined discourse on transparency (due to its diverse application and interpretation) has limits as a concept for increasing accountability. In principle transparency provides the means for increased accountability. However, in practice it would appear that at times the different interpretations and applications of its use allow the language of transparency to be open to distortion. Thus although the discourse of transparency has achieved considerable prominence in the rhetoric of MGG, the evidence suggests that its use as a mechanism for accountability remains largely unfulfilled. This is reflected by Scholte who argues that 'no mechanisms have been devised to guarantee transparency, open debate and accountability in relations between states and their supranational constituents' (1997: 451).

However, this does not mean that transparency cannot be applied more universally and with greater conviction by the institutions of MGG. Changes in society are often slow and at times difficult to discern, but by keeping the discourse of transparency on the political agenda it forces governing institutions to reflect upon and question their actual practices. It is possible that the discourse of transparency may produce its own effect and become self-fulfilling. For example, areas where transparency might be increased include the G-7, IMF and World Bank publishing minutes of meetings; the release of documents relating to policy proposals and detailing the reasons for a particular policy being chosen. Actions like these would represent a

step in the right direction, reducing secrecy and giving greater substance to the idea of more open and accountable institutions of multilateral global governance.

*Is secrecy necessary for the effective and responsible working of institutions of multilateral global governance?*

The third question asks about the extent to which secrecy is necessary for effective governance processes to exist. From the cases it is clear that whilst degrees of transparency vary, secrecy is still a dominant feature of MGG. One reason for this is the presumption that too much transparency may result in problems such as the undermining of institutional efficiency (see Chapters 5 and 7). However, this view can be countered by the evidence in the case of Arun-3 and the World Bank where secrecy in the initial stages proved an impediment to effective and efficient governance in what was ultimately an expensively flawed project. The argument goes that with more public access to information and policy making processes will come greater legitimacy and effectiveness (Coote, 1998: 130).

By contrast, Teft makes the point that because secrecy allows the attainment of certain ends, its use in the governance process constitutes both instrumental and rational behaviour (1980: 321). This gives legitimacy to the use of functional secrecy in the governance process. Conversely critics continue to assert that secrecy acts to undermine accountability in areas which have a profound and widespread effect on public interest (Teft 1980: 329). For example, at the G-7 Summit in Halifax, whilst the participants considered institutional and functional secrecy to be an instrumental and rational part of the political process, the members of the Peoples Summit considered it a barrier to G-7 accountability.

As indicated there are those who believe that there may be occasions when secrecy is legitimate, and is the responsible course of action (Bok, 1982: 18) . Functional secrecy can be justified where a financial crisis has to be overcome as in the case of the Mexican Peso Crisis. Here advocates of the IMF's position believed that too much openness would undermine global markets. In such instances too much transparency risks the de-stabilisation of world economic markets. Also, limits to openness are required if the traditional relationship between institutions of MGG and their members is to be protected. The IMF continues to act as if state actors are the only legitimate participants in the negotiating process.

The presumption of secrecy needs to be considered against other factors. During the peso crisis, open debate and wider participation was not a consideration for the IMF rescue package. The IMF justified secrecy and exclusion by arguing that its relationship was essentially with the national government. I would argue that by incorporating wider agreement on its measures, the IMF would have ensured a more legitimate form of MGG. The IMF as the lender of last resort in times of financial crisis has important responsibilities both in terms of the implementation and outcome of its policies. The Mexican Peso Crisis illustrates that it is not possible to hold the IMF to account for the implementation or outcome of its policies due to the level of secrecy involved. In this case the IMF was able to exclude critical voices from both within Mexican society, as well as from a wide range of non-governmental organisations and individuals from outside the country. In view of this, the need for functional secrecy needs to be balanced against the legitimacy and effectiveness that might result from more openness. To put it another way, the withholding of information and denial of access should be compatible with a general increase in levels of accountability in institutions of MGG.

In the case of the G-7, critical voices of the Summit process reasoned that the G-7 had a responsibility to explain its actions through mechanisms of accountability that encourage openness and participation. The extent to which the G-7 subjects itself to these ideas is questionable, as illustrated by the dissatisfaction of NGO groups with the lack of access, and the role of the media in Halifax. However, the desire for more openness conflicts with claims by participants that the G-7 functions more effectively when dialogue is undertaken in secrecy. For the G-7 the role of secrecy as a mechanism of effectiveness is in direct conflict with the notion of increased public accountability.

In the case of the Arun-3 Dam Project it would seem that the necessity for secrecy was to a large degree overridden by other factors. Whether this constitutes a normative shift is debatable due to the one-off nature of Arun-3 and the continuing secrecy at the World Bank. Cynics might argue that it is possible that as the World Bank becomes more open there will be a counter-force within the institution promoting different strategies of secrecy such as the co-option of NGOs to promote productive secrecy.

Due to the sensitive nature of the 1995 NPT negotiations, the outcome was dependant upon a secretive process. Of the cases used to illustrate the tension between openness and concealment, the Conference on Disarmament highlights precisely the ambiguity that surrounds the use of secrecy (see for example the discussion of secret voting in Chapter 7). This example highlights one of the benefits of secrecy: namely it enables the less powerful to protect themselves against the more powerful (Bellman, 1981). This prevented the non-nuclear states being pressured into an agreement which they believed was against their interests. Interestingly, these same actors who used secrecy to protect their interests also applied greater openness to NGOs to gain

support for their position. Here we have a good example of secrecy and transparency being applied as a strategy in support of actor's aims.

The legitimate use of functional secrecy is made more problematic if this type of secrecy becomes productive. The existence of productive secrecy does not mean that external transparency does not exist. Rather it questions the quality and nature of the information that is released into the public domain (Cesareo, 1992: 91). Productive secrecy suggests that the information is of a type that promotes a particular ideological position whilst concealing alternative interpretations. The role of productive secrecy reinforces the radical's argument: namely that there exists a hegemonic discourse of transnational liberalism that limits discussion of alternatives and legitimates the shift of authority from the national to the global level.

As the example of the Mexican Peso Crisis illustrates, productive secrecy acted to legitimate the belief that there was no alternative to the IMF's policy reforms, and it produced a particular ideologically driven world view that denied alternative interpretations. Of course this does not mean that this type of secrecy cannot be contested. However, by virtue of emanating from an authoritative body, the information was in part protected from independent critique. Similar points can be made about the Halifax Summit and the World Bank. In the former case, productive secrecy helped maintain the legitimacy of reforms proposed by the G-7, reinforced by a discourse of transparency. In the latter, productive secrecy did not stop the World Bank from being forced to cancel the Arun-3 Dam Project.

From my findings it looks unlikely that secrecy will wither away. Tensions will remain and arguments will continue over the relationship between transparency and secrecy. Whether, however, the current level of secrecy in multilateral global governance can, and will, remain

unchanged remains to be seen. As Mouffe argues, what is important is that different political motives and interests are recognised and not concealed by a veil of rationality [functional; institutional and productive secrecy] that excludes alternatives [bottom-up transparency] (1993: 145). Adopting this kind of approach allows the debate about transparency and secrecy to move beyond closed positions to embrace a wider agenda.



**Table 5: Summary of Conclusion: Key Themes and Institutions**

<b>Themes</b>	<b>IMF &amp; the Mexican Peso Crisis</b>	<b>G-7 &amp; Halifax Summit</b>	<b>World Bank &amp; Arun-3 Dam Project</b>	<b>CD &amp; The NPT Extension and Renewal Treaty</b>
<b>How have different assessments of globalisation and theories of global politics informed the discussion on accountability in MGG?</b>	<p>The actions of the IMF:</p> <p>Validate the claim of end of the state thesis that global regulatory bodies undermine state autonomy. Paradoxically, it also implies that markets can be governed effectively.</p> <p>Suggests governance mechanisms remain distant from locations of popular accountability.</p> <p>Reveals that effective public accountability is secondary to market confidence.</p> <p>Undermines the neoliberal-institutionalist view of transparency.</p>	<p>The behaviour of the G-7:</p> <p>Internationalisation of the state has led to greater significance of the G-7.</p> <p>Promotes the idea of the market and denies alternative perspectives.</p> <p>Suggests governance mechanisms remain distant from locations of popular accountability.</p> <p>Radicals believe globalisation acts as an ideological device to obfuscate responsibility for decision-making at the global level.</p> <p>The G-7 rejects the claims of NGOs for greater accountability.</p>	<p>The conduct of the WB:</p> <p>Suggests that it is open to change and engaging with wider accountability. This challenges the radical and state-centred perspective.</p> <p>Gives validity to the cosmopolitan claim for an individual rights-based agenda in MGG.</p> <p>The activity of the Inspection Panel goes some way towards challenging the radical's view of MGG.</p> <p>Possibility for greater accountability through the reform of current institutional practices.</p>	<p>The actions of the CD:</p> <p>Maintain the traditional distinction between states and society. Wider society remains excluded from the political process.</p> <p>States retain power in the security sphere.</p> <p>The radical perspective is challenged by the resistance of the non-nuclear states to the overture of the nuclear weapons states.</p>

<p><b>Does the discourse and practice of transparency enhance or undermine accountability in institutions of global governance?</b></p>	<p>Effectively closed to external actors. Transparency found in the shape of internal and top-down. External transparency can be interpreted in terms of productive secrecy.</p> <p>The principles of good governance adopted by IMF. In reality this is undermined by the IMF's relationship with the market and its members.</p>	<p>Internal transparency is good, enhanced by limits upon other forms of transparency. External transparency is limited to Communiqué. At the PrepCom the Canadian government gave access to NGOs.</p> <p>Advocates good governance principles in MGG. This remains unfulfilled with the limited exception of the Canadian government.</p>	<p>A degree of bottom-up transparency exists. The Bank has opened information centres, increased access to information and introduced an Inspection Panel.</p> <p>Potential for more accountability through the Inspection Panel. This gives some evidence to support the position that the World Bank has adopted and implemented the principles of good governance.</p>	<p>Attempts by the President of the CD to increase external transparency. Other forms of transparency remain limited as illustrated by the experience of NGOs.</p> <p>The principle of transparency undermined by secrecy to secure particular outcome.</p> <p>The implementation of good governance principles is limited. Participation is restricted to state actors and transparency diminishes as negotiations progress.</p>
<p><b>Is secrecy necessary for the effective and responsible working of MGG?</b></p>	<p>Secrecy is justified in terms of market responsibility; institutional necessity and relationship with members. It is argued that this will result in increased market stability and confidence from inward investors.</p> <p>Too much openness would lead to a negative outcome for governance process.</p> <p>Potential for productive secrecy to result from functional secrecy.</p>	<p>Secrecy considered to be an instrumental and rationale to the success of the G-7 summits.</p> <p>Effectiveness dependant on small, private, confidential meetings.</p> <p>Too much openness would lead to a negative outcome for the governance process</p> <p>Potential for productive secrecy to result from functional secrecy.</p>	<p>The World Bank cancelled the Arun-3 Project. Secrecy in the initial stages proved an impediment to effective and efficient governance in what was ultimately an expensively flawed project.</p> <p>As the World Bank becomes more open there will be a counter-force within the institution promoting different strategies such as the co-option of NGOs to promote productive secrecy.</p> <p>Productive secrecy did not stop the World Bank from being forced to cancel the Arun-3 Dam Project.</p>	<p>Nuclear security is an area traditionally characterised by secrecy.</p> <p>The ambivalent nature of secrecy highlighted in the controversy over a secret ballot. This can be contrasted with the apparent need for secrecy in negotiations.</p> <p>Too much openness would lead to a negative outcome for governance process.</p>

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